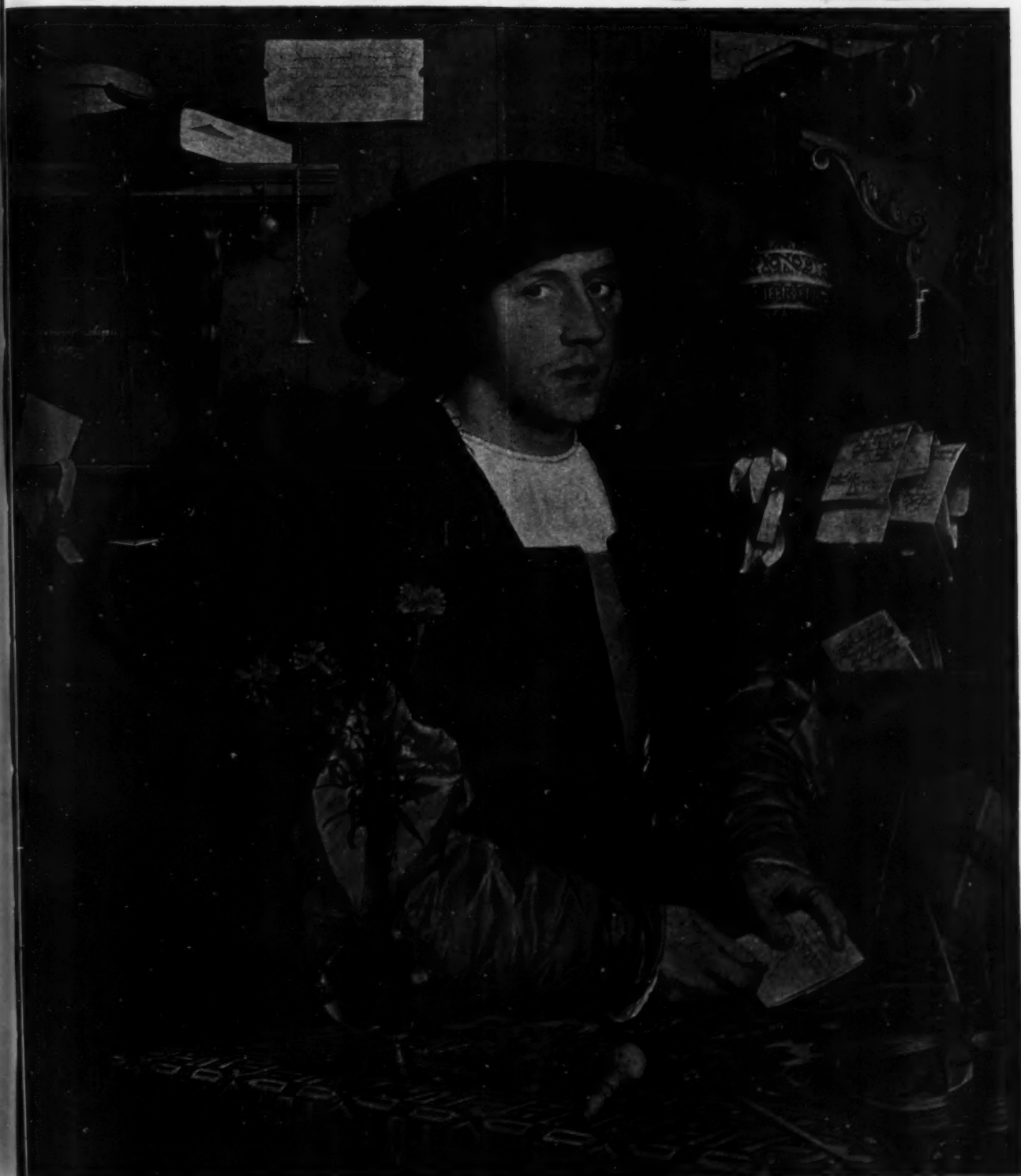


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The CREDIT WORLD





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A high collection percentage each month is an accomplishment of great benefit to business.

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Geo. C. Shaw Company
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D. W. Gill
The H. H. West Company
Milwaukee, Wisconsin

C. P. Gordon
Browning, King & Company
Denver, Colorado

A. F. Nelson
The Southworth Company
Cleveland, Ohio

J. P. Roonan
Young-Quinlin Company
Minneapolis, Minnesota

P. W. Schaefer
Railey-Milam Hardware Company
Miami, Florida

S. Margaret Smith
Bryant & Douglas Stationery Company
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THE LARGEST PROFESSIONAL SCHOOL IN THE WORLD
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Total	2,579

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1921	8	5,632	432%
1922	7	4,148	235%
1923	6	3,398	170%
1924	5	2,965	151%
1925	4	2,732	114%
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1928	1	1,987	74%
1929	0	1,782	44%

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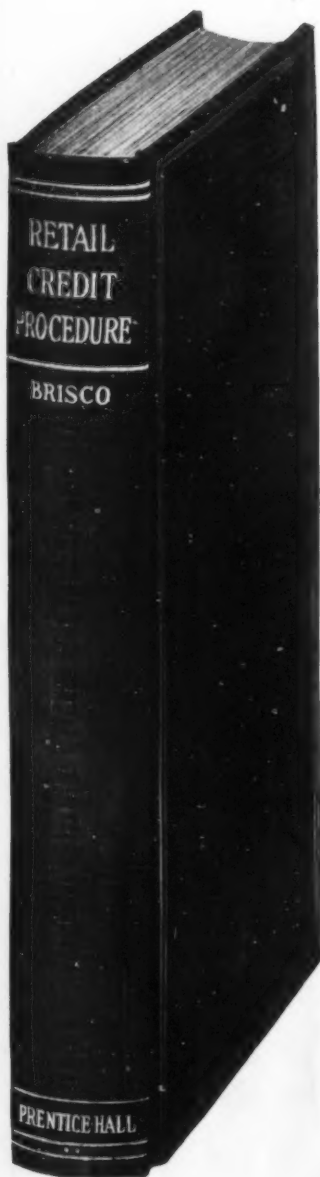
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HOW TO INCREASE CREDIT PURCHASES
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in collaboration with

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of New York City

Based on the actual experiences of these successful credit men, this book solves the problems which confront retailers from the moment the prospective customer says, "I would like to open a charge account."

This book was selected by our Educational Committee as the official class study text.

Retail Credit Practice

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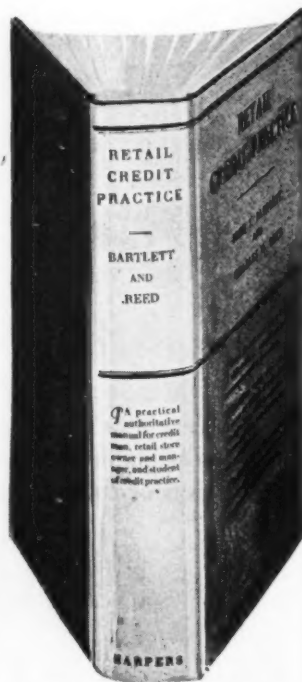
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THE CREDIT WORLD

Official Magazine of the National Retail Credit Association

JULY, 1930

VOL. XVIII

NO. 11

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This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association; in all other respects the Association cannot be responsible for the contents thereof or for the opinions of writers.

CHANGE OF ADDRESS: A request for change of address must reach us at least one month before the date of the issue with which it is to take effect. Duplicate copies cannot be sent without charge to replace those undelivered through failure to send this advance notice. With your new address it is absolutely essential that you also send us your old one. Entered as second-class matter Sept 18, 1929, at the post office at Mount Morris, Illinois, under the Act of March 3, 1879.

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1218 Olive St., St. Louis, Missouri.



To the Country Life Magazine, who made it possible for the CREDIT WORLD to publish this beautiful picture as a cover subject by contributing the plates, we take this opportunity of extending our sincere appreciation and thanks.

Our Cover This Month "THE MERCHANT"

By Holbein

OUR cover design this month is a reproduction of one of the great portraits of the world. It was painted by Hans Holbein, a German portraitist, in 1532 upon the occasion of his second visit to England.

It is a picture of George Gisze, who was a well known merchant of that time and a member of the Hanseatic League—a league which was established to provide some special privileges of commerce and customs.

The portrait here reproduced is a favorite among Holbein's many excellent portraits. Notwithstanding the multitude of accessories by which the merchant is surrounded the interest is not diffused nor the artistic unity impaired.

When Holbein first went to England he enjoyed the patronage of Sir Thomas More and other leading statesmen but they were now dead or had fallen upon dark days. He therefore turned his attention to the German merchants of the steelyard and obtained a number of commissions for their portraits. The portrait here was one of the first and the artist determined to show in it of what work he was capable. In style of design and coloring it shows the influence of Quentin Matsys of Antwerp whose works Holbein had the opportunity of studying. But Matsys never did attain the easy mastery of a definite style that came early to Holbein.

KEY TO PICTURE

1. Laws of the Hanseatic League. 2. Steelyards for weighing money. 3. Letter. 4. Seal—trade mark. 5. Extra seal rings. 6. Twine holder. 7. Keys. 8. Bars for filing. 9. Seals ready to use as shipping tickets. 10. Orders received from Europe to be filled. 11. Letters or orders received. 12. Receipts. 13. Carnations. 14. Venetian glass vase. 15. Persian rug as table cover. 16. Gold clock. 17. Seal probably trade mark. 19. Paper knife. 20. Seal ring. 21. Shears. 22. Quill. 23. Ink stand. 24. Sealing wax holder. 25. Cash box. 26. Sealing wax. 27. Sand shaker as blotter. 28. George Gisze the merchant. 29. Cartellino (agreement).

« « « » » »

In this picture so masterly executed we get the young merchant to the very life, precise, deliberate and orderly in the transaction of his affairs; he is conscious of no presence, assumes no dignity—bears no sudden or superficial look of care or interest, lives only as he lived—but forever.

What of this man and his house were visible to Holbein are visible to us. If we care to know anything concerning them, great or small, so much as may by the eye be known is forever knowable—reliable, indisputable.

In the portrait every accessory is perfect with a fine perfection; the carnations in the glass vase by his side—the ball of gold, chased with blue enamel, and engraved "Heer En," the books, the steelyard, the papers on the table, the seal ring with its quartered bearings—all intensely there and there in beauty of which no one could have dreamed that either flowers or gold were capable, far less, parchment or steel. But every change of shade is felt, every rich and rubied line of petal followed; every subdued gleam in the soft blue of the enamel and bending of the gold touched with a hand whose patience of regard creates rather than paints.

The letter, which he holds in his hand, is thus addressed: "Dem Ersamen Jergen Gisze to lunden In Engelant mynem trader ta handen" (to the hands of my brother the honorable George Gisze, London, England).

Scattered in front of him are various objects used in his business, a seal inkstand, "Cartellino"—agreement of some kind—perhaps similar to a license to run a business; scissors, quill pens, a leather case with metal bands, and clasps; and a box containing money. From the shelves bang scales for weighing gold, a seal attached to a long chain, and a metal ball for string, with a damascened design and a band with the words "Heer En." Books and a box are on the shelves, and tucked within the narrow wooden bars which run around the walls (filing cases) are parchment fags for seals and several letters with addresses in High German.

CREDITORIALS

(Copyright, 1930, by Louis S. Grigsby.)

The Credit World is the honored recipient of a gift. It is not money—or subscription—or advertising—or anything so grossly material. It is something more priceless, more rare. It is the gift of creative thought.

We liked the word Creditorial. It was apt, expressive, and may we say creditable. But we found that it was an origination of Mr. Louis S. Grigsby, manager of the Philadelphia Credit Bureau, who believed sufficiently in the worth of his own thought to have it protected by copyright.

Mr. Grigsby was then actuated by the same noble purpose as the National Automobile Chamber of Commerce in the pooling of their patents for the good of all, and he generously consented to our continued use of his word for the good of all.

We wish to extend to Mr. Grigsby our sincere thanks for this contribution.

—and the greatest of these is Education.

—subscription to an adequate code of ethics

—a national community credit policy

—a universal system of Credit Education

(From the convention speech by FRANK BATTY)

The Mayor of a large Western city told a gathering of credit men some time ago that "the financial stability of their city rests in the hands of the credit men themselves, and that unwise extension of credit to individuals is ruinous to the city's standing and the development of her industries." And this in view of the fact that that city has one of the lowest collection percentage recoveries in the United States, and that the undertakers of that city advertise in the newspapers, funerals on the installment plan; artificial limbs may be also purchased on similar terms. We accept the weighty words of the worthy Mayor as a challenge. His statement is the clarion call to an awakening for action and a fuller realization of the responsibilities devolving upon us as a class.

I say without fear of successful contradiction that the credit manager is in jeopardy of impeachment in the case of Frozen Assets versus The People, and in the verdict of Judge, "Retail Merchant", no justifiable alibi has been established. It is irrelevant, incompetent and immaterial to plead exemption on the ground of non-responsibility or conscientious objection; both pleas are over-ruled and the case for the defense is closed sine die.

We can but allude to two outstanding problems and their name is Legion. First, over a period of years, the National "graph" has shown a persistent and steady incline in the ratio between cash and charge sales in favor of "charge it." This condition is also apparent in stores which show no corresponding increase in volume. On the other hand, collection recoveries show the same persistency to decline in spite of the extremely high pressure methods employed.

Mr. Frank Hamilton, our National Publicity Director, in an enlightening address at Des Moines, Iowa, last November, reminded us that fifteen billions of dollars is serving a perpetual jail sentence on the books of the retail merchants of this country, and the magnitude of that statement is emphasized by the fact that this stupendous sum is withheld from circulation due to lax collections.

I maintain that is the plain and paramount duty of the credit managers of the country to commute that jail sentence to probation and he is an unwise man who sits complacent.

Second, in the foreword of the National Retail Credit Survey, a copy of which I presume you have all recently received, Mr. William Copper, Director of the Bureau of Foreign and Domestic Commerce, states that one of the significant facts disclosed by the

survey is the very high percentage of returned merchandise in the various lines of retail trade, and that it indicates great possibilities for the elimination of waste and increasing efficiency in distribution. Shoe stores with 21.3% of gross sales returned; women's wear and department stores with 14.2% and 14.5% respectively. Numerous stores were found with 25% returns or over. Little wonder is it that we find expenses of department stores have increased from 25.4% in 1923, to 31.7% in 1928, and that net profits decreased from 3.6% to 1.5% in the same period, with very little change in total volume.

You will perhaps naturally offer resentment if any attempt is made to place the skeleton of returned merchandise on the doorstep of the credit department; but let us see whether or not our objections are well founded. Among the many stated advantages of the credit system to the public, are (1) Itemized bills rendered each month; (2) Advance notice of sales; (3) Saving of time in shopping; (4) Relief from carrying large sums of money (and in this let it be said that the dear public has most certainly cooperated); (5) Greater facility in making adjustments.

Charge customers have obtained the idea, either by mis-education or intuition, that a charge account gives them the unquestionable privilege of returning purchases at their will and pleasure. Probably this erroneous impression has been conveyed by the over zealous sales-person in her anxiety to make a book-showing. Cash sale returns in department stores, reveal less than six per cent returns, while on credit the returns are over fourteen per cent.

The Credit Manager should wage ceaseless, unrelenting warfare against an evil, whether it occurs in his own department or elsewhere in the store, as long as it effects public service and net profits. If he is not invited to attend departmental meetings where educational methods are employed, he should invite himself and state his case in no uncertain terms. If the policy of the firm is always, "The customer is always right," it does not necessarily follow that the store is always wrong. Many an evil deeply entrenched has been overcome by a proper presentation of the truth, substantiated by the actual facts; applied to our new account offices and instilled into the interviewers, it would have a far reaching effect for good.

In the two outstanding matters to which I have referred, namely, show turn-over of accounts receivable and

The credit man, aside from physique, in which he is expected to excel, must possess alertness, ingenuity, initiative, ability, observation, courtesy, persistence, tact, diplomacy, firmness and so on, ad infinitum. He must also measure up to certain standards in the eyes of his wife and family, and in the words of Kipling's lady:

"He must be a man of medium height,
He must be a man of weight,
He must come home on a Saturday night,
In a thoroughly sober state.

He must know how to love me,
He must know how to kiss—
And if he can accomplish all these things,
I'll never refuse his bliss."

Frank Batt

returned merchandise evil, I am constrained to think that the credit manager has not measured up to the requisite standard commensurate with his ability and education. We have been weighed in the balance and found wanting in that assertiveness due to a proper recognition of our responsibilities.

The late William James, Professor of Psychology at Harvard, and America's most distinguished philosopher, once declared that the average man only developed ten per cent of his latent mental powers. We will not stigmatize the credit profession by suggesting that we are all only ten per cent efficient, but we do plead for a progressive militarism, on the part of men who "never dreamed the right is worsted, wrong will triumph." We must seek to create the course of events, and not be merely passively subject to it.

When J. Ramsay MacDonald, Premier of Great Britain, arrived in New York on his mission of peace, and in response to an address of welcome at the City Hall, he made reference to a book, published in England some twenty-five years ago entitled, "The Roadmender", a classic of exquisite literary grace and one of the permanent treasures of our language. The roadmender is a college graduate, a man of many high attainments and culture, who voluntarily chose to break stones and mend highways as a profession.

I have read and re-read this, to me a priceless volume, and recall one profound sentence, "The people who make no roads, are ruled out from intelligent participation in the world's brotherhood." It is a splendid thing to be able to say that there is no greater opportunity and necessity in the civilized world in this Twentieth Century than Roadmaking in the realm of retail credit, but there will be no adequate highways, no lowering of the forbidding mountains or raising of the problematical valleys, until we fully realize that of all mistakes, only one is disgraceful, "Inaction".

The progressive merchandise manager of a well known Western Department Store has this motto on the wall of his office in plain sight. "I am going to fight". The most important resolution a business man can make for 1930. "I am going to fight the skulking devils of false rumor, timidity, discouragement and reaction. I am going to fight to maintain the circle of confidence unbroken, as far as is within my power I will fight, any movement to lower wages; any attack on living standards; any slowing up of production; any retrenchment in selling effort. These segments, high wages, high living standards, mass production, intensive selling, make up the circle of confidence, only fear can effect them. I am going to fight fear, by harder work, by more aggressive selling; I am going to maintain my own normal growth this year, and thus contribute to the soundness of the whole business structure. MY PRIDE IS UP AND MY SLEEVES ARE UP: I AM GOING TO FIGHT."

We credit men might do worse than adopt a similar resolution and on which a committee is non-essential. We may have helped to create a Frankenstein monster, but console ourselves with the proposal to spend seven million in poison to

offset his pernicious ravages. That is an easy task (and I say it in all seriousness) compared with the battle against ignorance, apathy, indifference, unsound practice and competition in credit terms.

If this National Retail Credit Association accomplishes nothing else than a sound plan for systematic study and control of credit, by properly organized classes, elevating and enlightening the assistants and junior members of our office staff to a broader and higher conception of their duties, grounding them more firmly upon a foundation of stability in business economics, then it has more than justified its existence, having played its part in developing not a breed of go-getters, whose only merit is assertiveness, but a rising generation upon whose brow, the emblem of character is indelibly impressed.

There need be little misgiving as to the future of Retail Credit as long as a program of education and efficiency is carried out and that chariot wheels of progress will revolve faster only as we see to it that opportunity for study and intensive research is afforded in every city and town throughout the country, where a Bureau or Credit Association is now established.

While the vocation of the credit man frequently brings him into close contact with much that is sordid and depressing, there is no room for pessimism as to the ultimate outcome. Dealing with the human equation, credit men see the flotsam and jetsam of life in the tragedy of ship-

I say without fear of successful contradiction that the credit manager is in jeopardy of impeachment in the case of Frozen Assets versus The People.

New Directors (and Repeaters)

Our new president, A. D. McMullen, Retailers' Association, Oklahoma City, has served in official capacity for 12 years either as director or in some other high office—Was vice chairman and chairman of the Service Department and has served on all reorganization and refinance committees.

Miss Pearl Kominsky will ably assist Mr. McMullen in administering the affairs of the association.

C. F. Jackson, Credit Manager of Famous & Barr Company, is one of the original committee that made investigations for the purpose of originally establishing the St. Louis Associated Retail Credit Men and Credit Bureau—prominent on various committees for years and director and officer of his local association—Consistent in his attendance at Nationals and is known throughout the U. S. as an authority on consumer credit.

J. R. (Dick) Hewitt of the Hub, Baltimore, was retained on the Board. Mr. Hewitt's able and meritorious service in connection with the affairs of the Association made it impossible to relinquish him at the expiration of this term. Mr. Hewitt served on the Board previously—is a past president and is greatly respected for his tact and wisdom and unselfish service.

Milton Solon, Credit Manager of the Dayton Company, Minneapolis, Minnesota, is one of the original sponsors of Pay Promptly Advertising. He was Chairman of the first committee in first campaign to raise advertising funds 10 years ago—was a director for a number of years—Elected as vice president and would have gone on for president, but pressure of business forced him to retire from the vice presidency two years ago.

Max Meyer, is Manager of the Nebraska Credit Company, Lincoln, Nebr. One of the deans of Credit Bureau work. His bureau is recognized as one of the really great bureaus of the country.

Leo M. Karpeles, of Burger Phillips is a two timer. Mr. Karpeles was paroled as a director, four years ago, but he committed the same offense so was put back for another term.

S. L. Klarnet, comes from Oakland, Calif., where he is Cr. Mgr. of H. C. Capwell, one of the most beautiful stores west of the Mississippi. When this store opened a year ago, Mr. Klarnet was selected because of his exceptional ability and intimate knowledge of consumer credit extension under modern merchandising conditions.

(Continued on page 26)

The New Command

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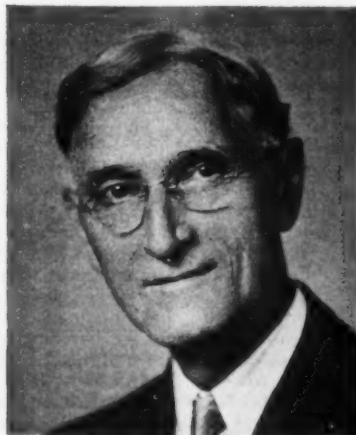
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(New Director)



C. F. JACKSON
(New Director)



S. L. KLARNET
(New Director)

Credit information is necessary for Doctors

(From the convention speech by
DR. JOHN WARNOCK)

For centuries, a veritable Chinese wall separated the professional and business worlds. Like the Chinese wall, this sinister man-made barrier has, in the most part, crumbled to earth and disappeared, until, at this time, the line of demarcation between the business and professional worlds is exceedingly difficult to trace.

During the last decade, we have heard much about Ethics in business, and we have heard more, perhaps, about Economics in the professions.

Glenn Frank, President of the University of Wisconsin, recognizing the inevitable trend of the times and, having the courage to voice his conclusions, in a recent address referred to the ironic paradox of the commercializing of the professions, just when professionalism of commerce begins to dawn. President Frank also facetiously warns us to distinguish carefully between "Hippocratic Ethics and Hypocritical Etiquette".

The traditional fallacy that economic incompetency, as well as professional excellence should be a dominant attribute of the professional man must be recognized, admitted and eliminated.

For generations, professional men, as a class, have been victims of an economic, inferiority complex. We have had dinned into our tired ears, since our earliest recollections, that dentists and physicians are notoriously incompetent business men. As a matter of fact, I have, in recent years, heard men, conspicuous because of their professional attainments, boast of their business inability as if economic ignorance were a coveted virtue and a professional asset. These men would have us believe in the spurious concept that economic ability is incompatible with ethical status and professional dignity.

These professional gentlemen of the old school, almost invariably have been economically sheltered from what Herbert Spencer called: "The imperious necessity of making a living." Or they are ones who should be classified as dissemblers who capitalize, and attempt to profit by the assumed cupidity of an unsuspecting public.

Dr. C. N. Johnson of Chicago, a Past President of the American Dental Association and the recognized Dean of Dentistry in the United States, in an exceptionally worthy paper published in the Dental Cosmos, September, 1929, made the following statement: "In this age of the proverbial high cost of living, it becomes as necessary to study legitimate Economics as it is the science and technique of our calling. We owe this to our families and ourselves."

Dr. Edwin N. Kent of Harvard University School of Dentistry, in his popular text book, The Business Side of Dentistry, makes the following observation: "Professional men are reputed to be poor business men and, for the most part, they deserve the reputation. The simple lack of business knowledge and respect for business principles is, however, not so deplorable as is the fact that, in too many instances, they assume a visionary, idealistic attitude, perch themselves on a self-constructed pinnacle and, with a holier-than-thou expression, look down into the market places where thousands of honest men are seeking diligently the accumulation of honest dollars."

Dr. William Allen Pusey of Chicago, Past President of the American Medical Association, in his timely and sagacious address, Some Tendencies in the Business of the Practice of Medicine, delivered before a meeting of ex-presidents of the St. Louis Medical Society, April 10, 1928, opens his remarks by stating: "I have thought it might be fitting to consider some of the problems of our profession as a bread and butter occupation. It is the profession's glory that altruism is ingrained in its traditions and that it puts

itself secondary to public good, but we have a right and we must, for the sake of our own usefulness to society, consider the business of the profession by which we live. I am using the word Business advisedly, meaning by that, the occupation by which we make a living."

Dr. M. L. Harris of Chicago, present President of the American Medical Association, three years ago sounded a warning to physicians and dentists in a most worthy article, Medical Economics. Dr. Harris asks the question: "Why is it that doctors use so little judgment when it comes to matters of business?" Dr. Harris answers his own question in the following words: "It is because they practice a profession that for centuries has dwelt in the shadow of altruistic tradition; because they have been so wrapped up in the scientific aspect of their work that they have neglected, to a great extent, the material affairs of life and because they have had little or no training in business affairs."

It is a well established fact that any man who practices dentistry or medicine will, to a marked degree, curtail his professional activities, unless a credit privilege is granted to an appreciably high percentage of his clientele. If the accuracy of this statement is admitted and accepted, it then must be clearly obvious that for those of us who practice our professions in large cities where it is impossible for us to know, personally, the financial status of more than a very few of our recently acquired patients, that some prompt and dependable credit rating service must be utilized.

There exists a wide spread opinion that dentists and physicians as a class, are so prosperous, so artless and so charitably inclined that they are exceptionally easy and lucrative victims for exploitation by crafty, intriguing promoters as well as by those possessed of more wholesome intentions, but who imprudently request unjustifiable credit. The dental and medical professions, within only the past few years, have set about, in earnest, to correct this most deplorable, embarrassing and expensive reputation.

Dentists and physicians are now eligible to membership in the National Retail Credit Association. This recognition of our profession by this renowned fraternity, and our admission to the fellowship of America's master economists is exceedingly gratifying to us.

It is a fact, and I defy successful contradiction, that our profession cannot successfully and progressively survive without our adopting economic methods similar to those by which successful business enterprises are maintained.

My opinion and my attitude may not harmonize with the pre-conceived ideas of some very excellent professional gentlemen; however, the urgent necessity exists which requires a readjustment of traditional professionalism to harmonize with conditions which are the natural result of an evolution, both of economic and professional life.

When you make your occupation a profession, you increase your prestige, you probably increase your earning power, and you also increase your ability to render public service.

To raise barriers at the entrance to a profession is not undemocratic. The indolent are kept out, it is true, but in this new country, the industrious, ambitious and intelligent boy or girl, no matter in what adverse circumstances they may find themselves by birth, can attain to any educational standard that authorities may devise. Lack of finance is no bar today to educational achievement.

Like heredity and environment, experience and training are traditional fees. There is the man who says that because he has had twenty years' experience as a credit man, he is much better qualified than the one who has had a university course plus five years' experience. Perhaps he is; perhaps his personality and his natural gifts, added to his experience, have enabled him to acquire incidentally the benefits that education gives other men. But he is the exception. The

Making Credit a Profession

(From the convention speech by
MR. W. J. DUNLOP)

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Until a few years ago, most business men were bluntly skeptical about Education.

When you make your occupation a profession, you increase your prestige, you increase your earning power, and you also increase your ability to render public service.

rule is that experience does not take the place of educational training. Take a university-trained man without experience and put him into an establishment where he is surrounded by men, older than himself or the same age, who have been years in the business and have learned its routine. At first he is lost. The others can "play rings around" him. But give him seven or eight months, time enough to apply the results of his education to the particular business in hand; time enough to get his trained mind working on the special problems daily presented to him; time enough to add a certain amount of experience to his training. Then watch him forge ahead. If his personality is up to par, if his intelligence quotient is above normal, he will soon out-distance those who must rely solely on experience.

Until a few years ago, most business men were bluntly skeptical of this. But now the majority of them are looking for educated men. They have seen case after case of the condition I have just elaborated. They know that education means something.

If credit men are to be justified in considering themselves professional men, not only must they take the prescribed courses, but they must go on learning more and more. The work of the credit men can never be a profession if all that it involves can be learned in a few years.

How can we make the work of the credit man a recognized profession? Let me summarize. By gradually raising the standard of courses; by increasing the length of time required to secure diplomas; by carrying on, though it may take years, until we have a regular day course as well

The work of the credit men can never be a profession if all that it involves can be learned in a few years.

and lots of it, but it is well worth the effort.

Let me tell you a story. Some years ago, a teacher came to me to inquire about a teachers' course. His first question was, "How long will it take me to obtain the degree?" I said, "Have you all the subjects of the first year?" He replied, "I have." "Then, it will take you five years, at least." He sighed, he groaned, and he said, "Do you realize that I am forty-one years old now and that before I get this degree I shall be forty-six?" "No," I replied, "I am naturally weak in mathematics; but do you realize that you will be forty-six just as soon if you don't take this work as if you do? Why not have your degree when you are forty-six rather than not have it?"

Don't think that we are too old to study. It is a pleasure, not a task, to study. Try it. Get the joy of it. And not only is study pleasurable but it is profitable too. Dean Snell, of the University Extension Division, of the University of Wisconsin, says:

"Our older view of education may be pictured by the well-known analogy of the camel's hump. Before starting on our journey of 'practical' life, our minds were filled with knowledge, much as the camel at pasture stores his hump with fat, and the supply was expected to endure and to nourish us all the days of our pilgrimage. As we went

through the years, we might become thinner and thinner intellectually, but we staggered on without later educational sustenance.

"An idea considered axiomatic a few years ago, was that 'the old dog cannot be taught new tricks.' But Professor E. L. Thorndike has smashed the supposed axiom by scientific research, the results of which are published in his book, 'Adult Learning'. Dr. Thorndike's work does four things: First, it tells the man from twenty to thirty who has missed the advantages of regular schooling that it is not too late for him to learn. Second, it informs the college man that his learning days are not over at graduation. Third, it shows us that adults from twenty-five to thirty-five are better able to learn than they were in childhood, and as well able as in adolescence. Fourth, it points out that the man of sixty can study about as well and as easily as the boy of fourteen."

Bankers and other business men can help themselves by helping farmers, on whom a large part of their prosperity depends, by encouraging them to become better agriculturists.

Of course, we will admit that bankers are not supposed to understand scientific agricultural practices but they are necessarily interested in the prosperity of

growers, who as bank customers, consumers of merchandise and as credit risks, have a definite effect upon the progress and stability of the Southern banking field.

Many bankers have grasped the situation, and consequently investigate a grower's credit in making loans on the usual basic qualifications of character, capacity and capital, but with greater emphasis on the grower's capacity as an efficient and up-to-date farmer.

These bankers often want to know if the grower, credit applicant, is using heavy applications of fertilizers or is only fertilizing at a rate practiced ten or fifteen years ago. He may inquire about such a detail as the manner in which the grower disposes of his plant stalks after picking time. He may want to know if the grower gets a heavy vegetable growth on his fields before planting, to grow organic matter that will be ploughed into the soil to improve its moisture-holding qualities.

Every cotton broker and cotton-belt banker is a link in the economic chain of cotton from seeding to spinning. In the chain there are a number of fertilizer material producers. These are the concerns that mine phosphate rock in the United States, potash in Germany and France and that manufacture nitrogen in several countries.

These essential materials for complete fertilization of crops—nitrogen, potash and phosphate—are purchased by fertilizer manufacturers, who get them on terms not longer than 45 days if they have a high credit rating. Otherwise the sales are all sight-draft arrangements, which means a credit risk is often assumed in these transactions by a local banker.

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Stimulating Crops with Credit

(From an article that appeared in the Manufacturers' Record)

The percentage of farmers in the South who buy on credit varies widely, according to the fertilizer association's survey. Generally the percentage is lower in most Southern states than in other agricultural regions. In West Virginia about 11 per cent of farmers buy fertilizers on credit and in Florida the number rises to about 48 per cent. The principal cotton states range as follows: Virginia 26 per cent, North Carolina 40 per cent, South Carolina 19 per cent, Georgia 33 per cent, Alabama 34 per cent and Mississippi 34 per cent.

Credit can be made a profession by fixing high standards of study—lengthening the time for graduation—developing opportunities for graduates and forming the habit with business heads to ask for qualified men.

A Canadian's View of the New Tariff

(From the convention speech by C. L. BURTON)

Some of us in Canada are pretty well convinced that our position and resources are one of the really promising prospects, and one of the really promising hopes for the early economic recovery of the world.

Canada is the best customer of the United States of America, three thousand miles of unbroken border across which every day many thousands of Americans and Canadians travel backwards and forwards, the wide circulation of American magazines and periodicals, has produced for America in Canada a consuming public who have a great appetite for the things which America produces. Sometimes similar articles are made in Canada, sometimes Canada must import them, and the aggregate of this import business was, in the year ending last March, the Canadian fiscal year ends the last of March, and in the last fiscal year we bought from the United States for this country eight hundred and forty-eight million dollars worth of goods. We sold to America during the same time, five hundred and thirty-six million, giving a balance, in America's favor, of three hundred and eleven million dollars in the one single year, and that has been going on for a great many years.

The commodities Canadians are able to send America are necessarily different from those which America sends to Canada. If Canada is to continue to buy from America, if Canada is to continue to be an increasingly good customer of America, she can afford to adopt measures which will promote Canadian spending power in Canada.

I would not like anyone present to feel that I am using an opportunity in a discourteous way, that I am not speaking in any sense in a critical way if I presume to bring to your attention one or two things in the relations of Canada and the United States, as peoples which are, from the Canadian standpoint, rather subversive of good relations in business. There are one or two practices in which America indulges herself, which I might respectfully submit are subversive of the influences necessary if Canada is to be a better customer, one practice is creating antagonistic tariff restrictions against the natural products of Canada.

America has created a market in Canada for American wares, and proceeded virtually to slam the door in the face of her best customer. We hear that such measures are for the realm of politics, over which men and women like ourselves have no control, but there is a growing opinion in Canada that the American people as individuals, show sufficient interest, they can control and influence the direction of American political life. I am sure that a matter of this kind, if judged by a body such as is before me today, by men and women who would have in mind the prosecution of legitimate business, they would realize that the progressive and increasing restrictions against Canadian trade with America in natural products is a short sighted policy.

There is a wider sense in which American interest in Canada should manifest itself, and it affects directly the policy of Canada to market favorably the exportable surplus and natural products which she has to offer to Great Britain and to European countries. Great Britain is the best customer Canada has for such products, but Canada also has a fair prospect of doing business with other countries of Europe providing their spending power permits them to buy the product.

We cannot claim in Canada to be free from present economic disturbance, because it is world-wide, but we can justifiably claim in Canada to have less disturbance than other people in the world. The employment ratio in Ontario, while not up to the high peak of last year, is equal to the position of two years ago.

"Tariff is just a Scapegoat," says Mr. M. D. C. Crawford of Women's Wear Daily. He thinks lack of balance due to our mechanical efficiency is running far ahead of economic and social controls.

"It is a wholesome and time-honored habit to associate both economic blunders and achievements with political activities," Mr. Crawford says. "The tariff has always appeared to one group of citizens as an angel of radiant grace, while to the other as an apparition from the pit. As a matter of fact, it is only an incident in a situation that grows more and more complicated.

"England is a free trade country—or practically on a free trade basis—and conditions in England are none too cheerful. Australia looks somewhat grimly to a tariff even more exclusive than our own, and even with the assurance of the passage of the present tariff bill, the great barometer of our prosperity reacted vigorously in reverse.

"Political thought—the world over—always lags behind economic thought and mechanical achievement. A distinguished, vigorous and living economist has described the science of politics as an attempt through legislative enactment to bring both legislative and social conditions in harmony with mechanical achievement and mechanical organization.

"The entire economic world is now dominated by the machine and machine processes of production. Great genius and energy have been applied to make our machine production in all directions answer the last word in scientific discovery and inspired invention. Anyone can see how far we have gone in this direction, by watching a trained road gang laying a concrete highway, and mentally contrasting it with road-building a decade or so ago. The same general rate of improvement of production has invaded many industries. The textile industries, because they have been the first in the field, have had the least dramatic changes in the last generation.

Problem One of Distribution

"The world, then, is faced with the curious paradox that by the production of vast quantities of wealth, a condition almost analogous to poverty may be created. No one is so fortunate except for brief periods and periods of grave danger, to be able to run a modern unit of production to full capacity. The few exceptions to this rule are in those instances where distribution and production have been well balanced. The problem seems, therefore, for the moment at least, of distribution.

"We are creatures of custom and habit, and sometimes confuse prejudices based on familiar practices, with convictions based on reason and logic. In the textile business, with practically no exceptions, methods of distribution have remained fundamentally unchanged from pioneer days. Some of the customs reach back to periods when craft production exceeded in volume and variety machine production. There have been gestures on the surface which seem counter to this statement. Here and there some harassed mill treasurer persuades a conservative board of directors to permit him to merchandise fabrics as if they were shaving cream or chewing gum—i.e., the same principles of distribution are attempted, but without either the immense physical force and detailed organization used in the distribution of shaving cream and chewing gum.

"Again the textile business suffers from the habit of selling a large proportion of its production half finished—made without any particular reference to ultimate market, or any control over the ultimate quality, price, etc.

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An American's View of the New Tariff

(Reprinted from Women's Wear Daily)



"Passing the Buck"

Mr. Justin H. Edgerton has passed the gavel to Mr. A. D. McMullen.

Brilliant progress characterized Mr. Edgerton's administration and The Credit World takes this opportunity of extending to Mr. Edgerton the admiration and appreciation of the National Retail Credit Association for his accomplished service.

ON THE CUFF

"History tells us that the birthplace of Installment Homes was in the city of Rome just before the dawn of the Christian Era, and that its founder was Marcus Licinius Crassus, the colleague of Caesar and Pompey, in the first Triumvirate. Crassus, enormously rich in gold and lands, sought public esteem through service to the Roman populace. He opened a way of escape for the wage-earning citizens of Rome, from their crowded and comfortable quarters within the city to suburban homes of their own, purchased by them on a convenient payment plan, and occupied by them at once upon payment of the first small installment."

(From New England Conference on Retail Distribution)

(From an article in *Advertising and Selling Fortnightly*)



RADICAL shifts in the merchandising policies of manufacturers of products used in the repair and maintenance of buildings are taking place.

Those which traditionally have operated on a cash basis, have taken to instalment selling as a defensive measure and, with the exception of one or two cases, have made decidedly satisfactory progress. Two such experiments are worthy of note here—one because it failed and the other

because it not only succeeded but developed a market which had hardly been touched before.

The first case takes us back to 1925, at which time the Save the Surface campaign, sponsored by the National Paint and Varnish Association, announced an instalment plan for painting on the basis of one-fifth on or before completion of the work and the balance in ten equal monthly instalments of not less than \$10 per month. An important point in the operation of this plan was that neither the painter nor any agency of the paint and varnish industry would be "an endorser or guarantor, or in any way contingently liable for payment of the amount owed by the house owner." Responsibility, both for credit investigation and for collection, rested with two large national finance companies which paid the painter in full upon completion of his work and took over the instalment paper.

Although widely advertised, this plan was abandoned *after* being in force for less than a year. For this a variety of reasons has been assigned, among them the following explanation, from authoritative sources:

From its inception the plan suffered not only from lack of complete cooperation of some of the manufacturers but also from the opposition of members of the Master Painters Association, who saw in it a scheme to stimulate sales by the manufacturers and dealers of ready-mixed paint directly to the property owner. Since the master painters mix their own paint they failed to see where the instalment plan would do them any good, but on the other hand would enable ordinary painters with little or no capital to compete with the members of the association.

The home owner is called upon to pay 10 per cent or more in cash upon completion of the work, with contracts for the balance running from one to two years. Although the contractor is paid the full amount of his bill through the finance organization, he is not released from responsibility in the event his work proves unsatisfactory.

For the immediate prospect of the home-building industry is not too rosy. Residential construction has dropped from a normal of 50 percent

Of Special Interest to Bureau Managers

On July 6 an article appeared in the Springfield, (Mass.) Union and Republic under the heading, "Stricter Credit Plan Projected." It was the report of a meeting at Cleveland by a number of building and contracting associations for the purpose of presenting a united front for an intensive nation-wide campaign to eliminate loose credit practices through the building and construction industry.

The meeting agreed upon the necessity of intensifying and coordinating efforts in promoting and launching credit bureaus in every city in the nation and ways and means to create a permanent credit structure within the industry.

It was stated that the basic principles underlying the credit stabilization movement which will guide the committee in drawing up a program for standard procedure are the same as those now being successfully applied in Detroit, Memphis, Los Angeles, Milwaukee, and other cities, with the additional feature of having the Bureau of Contract Information, Inc., Washington, act as the national clearing house for delinquent accounts and interchange of information—the establishment of agreed-upon standard credit terms including an automatic credit cutoff date by joint groups of buyers and sellers concerned, with each trade group in a city—the organization of a central credit bureau in each city under the joint control of various groups participating in the movement—the collection of reports on all delinquent accounts from the various selling groups—the issuance of a monthly statement showing the consolidated reports of delinquent accounts as gathered—the cooperative support of standard terms with both buying and selling groups and the submission of copies of each monthly delinquent account report to the Bureau of Contract Information, Inc., at Washington, for subsequent re-dissemination on a national interchange basis.

Previous to this meeting an article appeared in "The National Builders' Supply Bulletin" predicting the perfection of this new organization in which the acting general manager of the Associated General Contractors was quoted as follows:

"It is necessary to have a centralized yet neutral organization for the control and stabilization of credits in the allied construction industries, to be completely under the control of the industry and divorced from any connection with established commercial credit organizations. Only such an organization would become effective."

In the subsequent discussion, the efforts of certain established commercial credit organizations to break into the construction field, now that there has been a substantial and growing interest created through the agitation by the National and the A. G. C., was roundly censured. Sam Williams, manager of the Bureau of Contract Information, said that it has been his observation through twenty years of credit bureau effort and association work, that invariably it was impossible to secure thorough and satisfactory coopera-

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FOR A NEW ROOF

By Guy Hulse

Secretary, National Retail Credit Association

of total construction to approximately 24 per cent, while building trades unemployment stands at 43 per cent as opposed to an unemployment figure of 22 per cent for all trades. Wise real estate and building men recognize the urgent need of radical modernization of merchandising and financing methods in this field.

One of the best known of the time-payment, "home complete" concerns is the Hartman Furniture Company, chain organization with headquarters in Chicago, which will build and completely furnish homes ranging in price from \$5,000 to \$20,000 on the instalment plan.

The Hartman Company requires no large initial payment, sixty monthly payment being required to pay off all building costs, finance charges and costs of surveys, title search, etc. An architectural department and a sales force devotes its entire time to selling homes. Terms of sale to which the buyer agrees stipulate that furnishings amounting to 15 per cent of the cost of the home must be bought at the store.

Building a home is a major event in the ordinary man's life. Factory-cut houses have saved him much worry and waste, and factory-furnished, still more, but factory-financed ought to make him a free man.

The business of house construction has ebbed low during the past year, and radical stepping-up of merchandising methods, as the examples here described, is imperatively needed.

By now the Sears, Roebuck home-building financing plan, contemplating the construction this year of 3,000

Perhaps the outstanding success of the "home improvement plan" of the Certain-teed Products Corporation, launched a year and a half ago, may be attributed at least in part to lessons derived from the earlier experiment of Save the Surface. At any rate, the Certain-teed plan, though similar in many ways to its predecessor, does not include many of the elements which proved unsatisfactory in the other. Moreover, it has been merchandised on a consistently aggressive basis.



Courtesy of "Photoplay"

Building a home is a major event in the ordinary man's life. Factory-cut houses have saved him much worry and waste, and factory-furnished, still more, but factory-financed ought to make him a free man.

houses, is well known. This plan marked the first time that a large merchandising organization had assumed the dual role of financier and constructor.

Homes which are constructed under the Sears, Roebuck plan will be financed under 15-year first mortgages, running as high as 75 per cent of the value of the house and lot. This represents an increase of 15 to 25 per cent over the first mortgage allowance now offered by building and loan associations, savings banks and insurance companies.

It is interesting to note that the experience of Sears, Roebuck does not tally with that of the Gordon-Van Tine Company of Davenport, Iowa, which for many years has specialized in the merchandising of ready-cut homes and farm buildings. This company, which financed home construction and materials last year, discontinued the practice this year on the grounds that they had found it impractical for a merchandising concern to do a national loan business.

Although outstanding, the cases discussed here are by no means isolated. The American Radiator Company, through a subsidiary company, the Heating and Plumbing Finance Corporation, has assisted its clients for a

considerable period in selling heating equipment on instalments. The Crane Company, through the First Banc-credit Corporation, offers the financing of heating and plumbing purchases under the Crane Budget Plan, and the Oil-O-Matic Company for some time has offered

(Continued on page 44)

Of Particular Importance

Most of the changes which have affected retailing in the last few years have happened outside the four walls of the retail store. Movies, national magazines, newspapers, radios, rising standards of living, increased leisure and social life have all conspired to develop in the mind of the housewife a high degree of style sensitivity.

With appreciation extended to Dr. W. J. Reilly, author of the Law of Retail Gravitation and to Arthur W. Hat of the University of Texas.



A cross section of the film public is a cross section of the American public. The young up and coming women are strongly influenced by the things they see: style, clothes, luxuries, etc.

THESE consumer changes are definitely reshaping the whole business of retailing. All retailers are affected but not all in the same way.

WE HAVE ONLY TO OBSERVE THE DESIRE IN THE MINDS OF WOMEN TO BUY THEIR STYLE GOODS IN A CITY LARGER THAN THE ONE IN WHICH THEY LIVE. IN VERY SMALL TOWNS ALL BUT THE POOREST CLASSES BUY STYLE GOODS SUCH AS DRESSES, HATS, OR SHOES IN LARGER CITIES AND TOWNS.

THE SIGNIFICANT THING FOR THE MERCHANTS OF ANY CITY TO DISCOVER IS WHAT PLACE THAT COMMUNITY OCCUPIES IN THE SCHEME OF DISTRIBUTION, WHAT LINES OF MERCHANDISE IT IS ESPECIALLY FITTED TO SELL, AND WHAT CLASSES OF PEOPLE IT IS IN A MOST FAVORABLE POSITION TO SERVE IN COMPETITION WITH NEARBY LARGER MARKETS. ANY MERCHANT WHO CAN FORGET THE MECHANICS OF RUNNING HIS STORE LONG ENOUGH TO MAKE AN ANALYSIS OF OUTSIDE CONDITIONS IS ALMOST SURE TO DEVELOP A MORE PROFITABLE BUSINESS.

While the effects of consumer changes are perhaps more obvious in the smaller town, they are nevertheless present in the larger city. Style-goods stores in larger cities, as they attempt to extend their retail-trade territories, are confronted with a number of problems including the coordination of advertising media with sales territory, the determination of what outlying territories are profitable to develop, and the maintenance of good will among smaller cities and towns in their trade territory.

And as long as people in most smaller cities and towns are subject to the competitive appeal of merchants in more than one city, and as long as customers pass each other on the highways going in opposite directions to buy the same merchandise, the old ring around the city does NOT

THE PERSUASIVE AND PENETRATING INFLUENCE OF THE MOVING PICTURE

The moving picture has been mentioned by Dr. Reilly as one of the great influences that has changed the buying habits of American people. In order to uncover this influence and to discover just how and why it does play such an important part the Credit World got in touch with Photoplay magazine and received from them some very interesting facts.

The great force of style and the peculiar phenomenon of female sensitivity to fashion is very apparent in some of these things contended by Photoplay magazine.

Campbell MacCulloch, writing in Liberty magazine says, "Hollywood, not Paris, sets world fashions. New York may sniff, London may put up its lorgnette in amazed disdain, Paris may foam at the mouth, but deep down in their secret hearts they all know that movie studios evolve more fashion novelties than all of them put together."

Merchants can not discount this great influence. Detroit Department Stores sold out in three days their doll telephone covers after a showing of one of them in a Cecil B. DeMille picture. "But the influence of the movies in shaping the tastes of the American people has become so strong," says H. C. Clark, sales manager of Endicott-Johnson Corporation, "that when Colleen Moore is seen in a new picture wearing a new style of shoe we immediately have to change our shoe patterns to conform, which means the expenditure of many thousands of dollars."

Women are the greatest movie fans. Women buy 85 per cent of nearly everything sold and in every movie audience they are being induced to greater desire for clothes, home surroundings, luxuries, et cetera. Twenty-one thousand theatres are showing pictures daily to 15,700,000 people. A cross section of the film public is a cross section of the American public. \$1,750,000,000 is invested in these theatres. More than 350,000 people are employed and more than \$750,000,000 are the annual receipts.

It would be well for merchants to watch the movies to see the previews if possible so as to be able to stock those things that are emphasized favorably, as the demand is sure to follow.

Campbell MacCulloch says again that the women of the country at large get their very intimate knowledge of what is

(Continued on page 26)

to the Small Merchant

The direction of trade of the different income classes involved in "out-of-city trading" is dependent upon a wide variety of circumstances, the most important of which are the population of the city in which the consumer lives and the proximity of this city to a larger city.

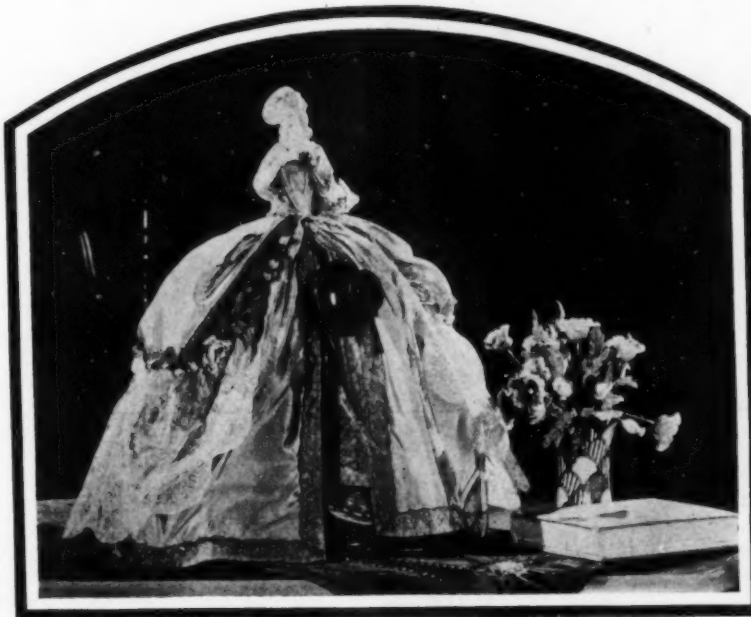
fix trade territory.

The trade of a drug store, a grocery store, or a cigar store is usually confined to an immediate neighborhood. But retailers' outlets handling style and specialty goods exercise a wide influence. Mrs. Jones buys her staple groceries at a neighborhood store, but is willing to motor 100 miles or more if she thinks she can find a hat that she likes—a hat that her friends at the bridge party have never seen and will admire because it came from a distant and larger city.

Almost no one would deny that within recent years there has been a steadily increasing emphasis upon style. Perhaps the automobile, by increasing social intercourse and style consciousness and by making it easier for consumers to travel longer distances to satisfy their style requirements, has been partly responsible. But whatever factors are responsible, the effect of this increasing style demand for the satisfaction of individual tastes may be observed in the centralization of style-goods markets. Ten years ago the major shopping centers in the United States numbered over 1,000, whereas now, in spite of a marked increase in population, the number of major shopping centers has decreased to less than 700.

On the other hand, retail markets for the distribution of standardized products, such as soap, cigarettes, staple food products, drugs, refrigerators, and automobiles, are becoming more highly decentralized. The number of such markets is increasing. Retail outlets for the distribution of standardized products are now found in nearly every neighborhood.

As far as local competition is concerned, any retailer may be interested in comparing the distribution of his charge accounts with the distribution of total charge accounts of those competing stores in his city which are in a similar line of business. For he may have little or no business in a town where competitors have



Courtesy of "Photoplay"

The young woman between the age of 18 and 30 is the greatest dominating influence of modern merchandising and the moving picture is the predominating influence in moulding her tastes. Merchants can not discount this great influence. Detroit department stores sold out in three days their doll telephone covers after a showing of one of them in a Cecil B. DeMille picture.

developed an appreciable amount of business. The fact that other similar stores have secured customers in surrounding towns, offers significant evidence of a possibility of developing business there. In other words, AN EXAMINATION OF THE DISTRIBUTION OF COMPETITORS' CHARGE ACCOUNTS GIVES A RELIABLE BASIS ON WHICH THE RETAILER MAY CONSIDER THE POSSIBILITY OF EXTENDING AND PROMOTING HIS BUSINESS.

But retailers of style goods often compete in the surrounding territory with retailers of style goods located in another large city. By furnishing a basis on which the relative strength of two or more cities in a smaller town was be measured, these methods enable a retailer of style goods to compare his competitive position in surrounding towns with the competitive position enjoyed by stores of another adjacent large city.

Because it is primarily in connection with style and specialty goods that large-city retailers draw trade from smaller towns, the small-town retailer should not look upon the large-city retailer primarily as a competitor, but should adapt his merchandise to those lines in connection with which he is able to supply the demand of his local trade.

The small-town retailer has some advantage over the large-city retailer in serving his immediate community, for he is nearer to customers in that community and he can give faster service. In fact, the case of the small-town retailer is by no means a hopeless one if he will adapt his business to the place which he naturally occupies in the distribution system.

THE DIRECTION OF TRADE OF THE DIFFERENT INCOME CLASSES INVOLVED IN "OUT-OF-CITY TRADING" IS DEPENDENT UPON A WIDE VARIETY OF CIRCUMSTANCES, THE MOST IMPORTANT OF

WHICH ARE THE POPULATION OF THE CITY IN WHICH THE CONSUMER LIVES AND THE PROXIMITY OF THIS CITY TO A LARGER CITY.

An appreciation of this retail relationship between larger cities and smaller cities leads the retailer into a study of the local buying habits of those classes of people whom he is attempting to serve in relation to the kinds of goods that he is attempting to sell. Take for example a retailer in a small town of 1,000 who is attempting to handle a full line of women's wear. Suppose that this retailer, in studying the buying habits of his customers, discovers that all but the very poor classes of women of that town prefer to buy their shoes in larger cities. That retailer has two alternatives. If he wishes to continue to sell high-grade women's shoes, he must move his business into a larger city. But if he wishes to continue doing business where he is, he must discontinue selling women's shoes entirely or he may try to carry a lower price range of women's shoes that are suitable to the poorer classes of women in that town who buy their shoes at home.

When a merchant located in a small city attempts to offer full lines of style and specialty goods that the smaller city cannot afford to support, some unfortunate results are likely to follow.

In towns of 400 or 500 the first stage in specialization is observed. Men's and women's apparel and dry goods as a group break away from the general store and are sold in a separate retail establishment. Similarly hardware, furniture, and undertaking, may separate as a

group as may meats and groceries. At this point the drug store, which is rapidly becoming the general store of the small town, sells all kinds of standardized merchandise. In the smaller towns the drug store usually sells most of the jewelry sold in the town.

In towns of 1,000 to 2,000 population, the second stage of specialization begins to appear. Stores are found which sell only women's wear or only house-furnishings but in either case the lines are incomplete. In connection with women's wear, we find that the lines are fairly complete with the consistent exception of women's shoes. In other words, it seems that the town of 1,000 is large enough to support every item of women's wear except shoes.

The next stage of specialization is found in towns from 2,000 to 3,000. Here jewelry stores and music stores begin to appear, but the jewelry store is usually combined with either the service of an optometrist or the sale of musical instruments. Towns around 3,000 seem to be large enough to support a store that sells only men's apparel and they usually have complete lines including men's hats, shoes, suits, overcoats, and general lines of men's furnishings.

The next stage of specialization is the appearance of the furniture store in towns beginning around 4,000.

In towns around 6,000 population the stores seem to become sufficiently specialized to emphasize one item of men's and women's apparel. Not until one gets into towns above 10,000 do stores begin to appear that sell only men's and women's shoes.

As a town passes the 30,000 mark, we begin



Courtesy of "Photoplay"

Mr. M. C. Clark of Endicott Johnson Corporation says that when a popular actress is seen in a new picture wearing a new style of shoe we immediately have to change our patterns to conform . . . on their feet constantly . . . shoes to match costumes. Is five pair a year at an average price of eight dollars in line with your investigation? Ask the girls in your office.



Clara Bow and Louise Lorraine wearing new style shoes in one of their pictures.

to observe some of the final stages of specialization. We find stores that emphasize one item of women's wear such as hats, or shoes, but usually in towns from 30,000 to 60,000 women's hosiery is sold in those stores that sell women's shoes. In towns around 40,000 stores that sell only women's hats begin to appear.

Finally, in cities from 60,000 up, we find a number of stores appearing that sell women's shoes only, men's hats only, men's shoes only, without any supplementary lines whatsoever.

Some of the more important steps which might be taken by retailers in smaller cities and towns are:

a. He should adapt his lines of merchandise to standardized goods and to those style goods bought by poorer classes who usually buy their style goods in the town in which they live.

b. Whenever possible he should buy his merchandise in cooperation with others in order to enjoy a volume price.

c. He should study and improve his merchandising methods, adopting whenever profitable those methods employed by successful competitors or other leading retailers in the same business.

d. The retailers in smaller communities should somehow agree to reduce competing lines of specialty goods, so that one or two stores may feature adequate selections in connection with a particular line instead of having eight or ten stores carry small and inadequate selections.

e. Experience has shown that when the stores in smaller cities and towns offer to buy at a reasonable price those agricultural products that come from the surrounding territory such as eggs, chickens, cotton, grain, they have a better chance of holding the staple goods trade that might very well remain in a small town but that is frequently lost to a larger city as an incident to the purchase of style and specialty goods.

The actual size of a city in which a retailer is located is not so important. But the relative size of the city in comparison with other nearby cities and towns is important. One large city, because it is near another larger city, may lose some trade that it would probably enjoy if it were, let us say, 200 miles distant from any other large trading center. Proximity to a larger market may

The significant thing for the merchants of any city to discover is what place the community occupies in the scheme of distribution, what lines of merchandise it is especially fitted to sell, and what classes of people it is in a most favorable position to serve in competition with nearby larger markets. Any merchant who can forget the mechanics of running his store long enough to make an analysis of outside conditions is almost sure to develop a more profitable business.

trade territory.

Lines of transportation and communication, connecting a city with its surrounding territory, the condition of public highways, and an extremely important means, currently available

and perhaps most used, for communicating the message of the merchant to prospective customers in the territory surrounding a city, is the daily newspaper.

But without the offerings of prominent style-goods stores and without the attractive programs of larger theaters, a newspaper could not so easily pull outside consumers to the city and the demand for good roads would probably not be so great.

Outline of Factors

1. LINES OF TRANSPORTATION.

a. Public Highways.

2. LINES OF COMMUNICATION.

a. Circulation of the daily newspaper.

b. Telephone and telegraph lines and rates.

3. The Class of Consumer in the Territory Surrounding the Market.

4. Density of Population in the Territory Surrounding the Market.

5. Proximity of the

(Continued on page 38)



Ask the girls in your office whether or not they spend \$66.00 a year for silk hosiery - - - 40 pairs at an average of \$1.65 each.

Good Merchandising, Fair Prices

Not Enough

THERE MUST BE PERSONALITY CONTACT

(From an article in *The Mail Bag*)

By VICTOR COLE of John Brenner Co., Oakland, Calif.

THERE seems to be increasing evidence to contradict the apparently wide-spread conviction on the part of merchants that good merchandise, fair prices and a liberal returned goods policy will keep customers satisfied. Present-day competitive conditions seem to have educated friend customer to take all these things for granted and unblushingly expect more! And every indication points to that "more" as being a PERSONALITY CONTACT which makes the store of one's choice something more than a building full of merchandise, indifferent clerks and highly efficient credit men and book-keeping systems.

Eighty-two per cent of the average store's customers who have been inactive for from 1 to 10 years are still alive and residing in the same store's trading area.

Question 1.—What caused these customers to "quit"?

Answer A. About one-eighth of them because of complaints not adjusted and, in most cases, not even voiced.

Approximately 95 per cent of these complaints can be uncovered, adjusted, and the customer's good-will re-won with a well planned series of letters.

B. The other seventeighths quit for no good reason at all!

The percentage of THESE accounts which can be revived varies with the length of time the customers have been "away." But a well planned series of letters will bring back enough of them to make the effort very, very profitable.

Question 2.—What can be done to reduce the number of customers who "quit" each year?

Answer.—A plan which makes a matter of routine of sending a PERSONAL letter to EACH of your customers when a letter is logically justified.

For example: If you knew your customer, Mrs. Jones, personally, wouldn't you—

1. Thank her for opening an account at your store?

2. Thank her the FIRST time she made an additional purchase?

3. If she had an installment account, offer her the privilege of adding to it when her balance justified such an addition?

4. Thank her when the account was paid up?

5. Keep in touch with her—and keep HER in touch with your merchandise at regular intervals?

6. At the end of a year, let us say, if she had not favored you again, take steps to find out why?



A customer who is sold on patronizing a store at all can be sold every department in that store if the job is gone about intelligently, humanly, specifically.

The lady above will buy \$30.00 worth of hats, \$313.00 worth of ready to wear, \$62.00 worth of lingerie, \$66.00 worth of silk hose, \$40.00 worth of shoes and \$118.00 worth of accessories, jewelry, gloves, purses, etc.

You can do all that, regardless of how "big" your store may be, with letters produced as the result of an intelligent DIRECT-MAIL Plan.

One more thing that a specifically controlled DIRECT-MAIL plan will do for Mr. Big Merchant. It will enable him to improve a condition which exists and grows in every store. Namely: the startling number of customers who buy in only one, two or three departments in the store!

A customer who is sold on patronizing a store at all can be sold every department in that store if the job is gone about intelligently, HUMANLY, specifically!

"Mailings" to "mailing lists" have reached the point of diminishing returns for the retail store. But personal letters from a merchant to his customers—regardless of the quantities which a well built plan makes possible—have not and never will cease to be effective.

The average yearly worth of a retail customer may be determined by dividing yearly sales by number of customers. Multiply this yearly worth by the number of customers who drift away and the result is a sum which justifies some rather serious thought.

This customer turnover

which has so staggering an effect on cost of doing business is amenable to improvement.

By specifically controlled Direct Mail is meant a plan which permits the quantity production of letters worded to fit the actual store relations of the customers.

The independent retailer in the small town is giving the chain store plenty of trouble even with inferior merchandise, higher prices and less attractive displays because he knows his customers and treats them as people rather than traffic. His secret is personality.

What is Instalment Selling Doing to Us?

By DR. CLYDE WILLIAM PHELPS

University of Chattanooga

Delivered to the Convention at Toronto

WHAT is instalment selling doing to us? What consequences has the instalment selling system in store for us in this period when business is eight per cent below normal, when employment is off and payrolls are shrunken?

Some of our economists and financial writers believe that "instalment selling is now subjected to an unusually severe trial," that "instalment selling is now up against its first real test." Men without jobs, it is argued, cannot keep up their instalment payments, and delinquencies, defaults and repossessions will reveal a mass of "frozen credits" which will deepen and prolong this present business depression.

It is because I felt that you might be particularly interested at this time in the relation between instalment selling and the business cycle that I have prepared this new paper instead of presenting again the address on some aspects of instalment selling that I delivered at the Annual Convention of the National Association of Credit Men at Dallas in May.

Let us address our discussion to two main questions: First, what are the effects of instalment selling on business; second, what are the consequences to the consumer of instalment selling? Then, we may make some pertinent observations of value to credit men.

I. Effects of Instalment Selling On Business.

1. First of all, let us understand clearly that the volume of instalment selling has not been increasing by leaps and



Dr. Clyde William Phelps

An incident happened in England in the 18th Century which, in a sense, directly paved the way to the spread of the system to our own country. There was a titled lady living then in London, the Countess Blessington, who was a very resourceful and intelligent woman. Her home was the rendezvous of a coterie that included some of the dominant figures of the London world of society and politics. Her drawing room furniture began to reveal unmistakable signs of shabbiness. She had a small but assured income, but was a woman of limited means. She summoned one of London's fashionable furniture makers, explained her income, and induced him to refurnish her drawing room under an arrangement by which she paid him a certain amount of her income at definite periods.

Details of the arrangement reached the ears of the wife of the London club, and they laughed scornfully with tongue in cheek. Little did they know that this was the modernized beginning of a plan which would revolutionize the habits of buying the necessities of life.

From New England Conference on Retail Distribution.

bounds during the past few years, although very possibly the discussion of it has. The statement made in May by a nationally-known statistician to the effect that "instalment selling has had a mushroom growth in the last few years" is clearly beside the facts.

The greatest growth of instalment selling occurred back in the period of 1920 to 1923 when the volume of goods sold on the instalment plan increased from approximately \$1,000,000,000 in 1920 to about \$4,270,000,000 in 1923. This was the real period of mushroom growth when instalment sales rose in 1923 to more than four times the figure they had attained in 1920. But the major cause of this enormous and rapid increase was the expansion of the automobile industry which by 1923 had experienced its period of largest growth in instalment sales.

Instalment Sales in 1929.

During the year 1929, probably very close to \$6,000,000,000 worth of goods were sold on instalments. We see, therefore, that in the four-year period 1920-1923 instalment sales increased by over 300 per cent (or by \$3,270,000,000) whereas in the six-year period 1924-1929 instalment sales increased by 40 per cent (or by \$1,730,000,000). It appears, in brief, that instalment sales have not been mounting by leaps and bounds during the past few years but have been keeping pretty well in line with the growth of our retail trade. Indeed, if we take

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Installment Selling Not Popular in Mexico MEXICO BATTLES "EASY PAYMENTS"

At a meeting of the principal merchants of Mexico City recently it was voted to take energetic steps to discourage installment selling of merchandise. Most merchants held the view that the practice of selling merchandise on "easy payments" increased selling costs, making the cost higher to the buyer than if the buyer paid cash. The federal department of industry, commerce and labor has offered its cooperation in combatting the installment selling plan.

Let's Be Optimistic

BUSINESS throughout the country is generally quiet. It seldom happens that some section of the country does not report good business but the bulletins of the Federal Reserve System indicate almost universal depression. Major industries, i. e., Agriculture, Automobile, Steel, Buildings, Railroads, all show a decided decline from last year's figures, yet in each of these industries there are encouraging trends which may indicate we have reached the bottom of the downward swing.

This time last year business and the stock market were riding on the crest of the wave of optimism. This year pessimism prevails in both business and stocks. Last year business began to fall off in June and in November the stock market crashed.

We found our optimism was not well founded and it may be our pessimism at this time is not justified.

The fact that this depression has lasted several months may be just the thing we needed for a readjustment

of production to consumption. Excess supplies of merchandise and material in the hands of manufacturers, wholesalers, jobbers and Retailers have been reduced to normal and individual citizens who had curtailed buying are finding it necessary to replace personal and household needs with new merchandise. This latter feature should create a demand which will bring many unemployed back on the payroll.

Of course lack of employment is the thing which affects the Retailer. If people are not earning they cannot spend and it not

alone slows up business all down the line, but each unemployed person adds his voice to the general pessimistic note.

The Federal Reserve authorities no doubt will make readjustments so as to stop currency and credit inflation, which is so necessary before we can have any general revival of industrial activity.

Let's be optimistic, but face facts and carefully watch Credit and Collection trends.



MANAGER-TREASURER,
NATIONAL RETAIL CREDIT ASSOCIATION.

The Veering Flaw

..... and he watched how the veering flaw did blow.
..... then steered for the open sea.

By

H. W. Pote

GENERAL BUSINESS CONDITIONS

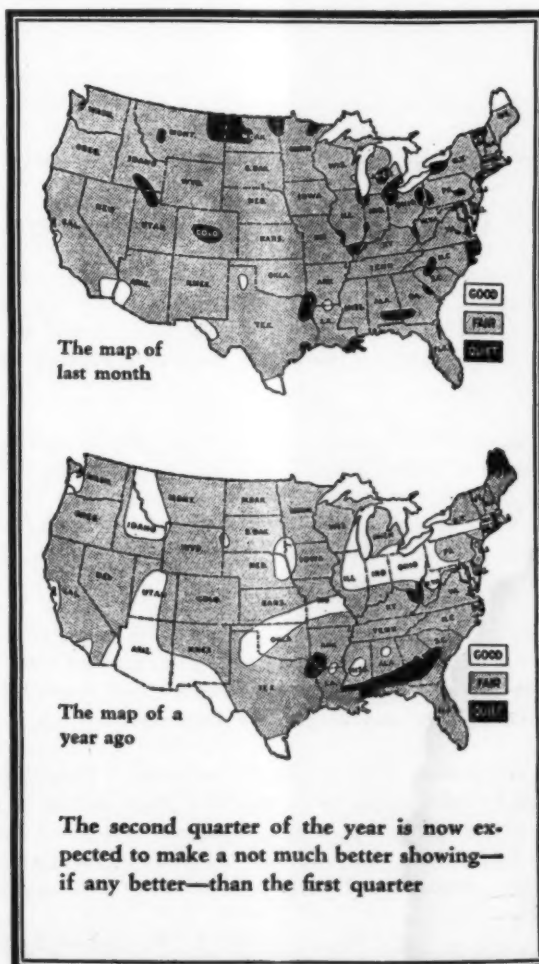
General trade is still in the state of coma with some prices reaching the lowest levels of record. Department stores have struggled valiantly to stimulate buying through sales but without the expected success. Receipts are still below last year. The summer vacation period approaches and that means continued lull. One bright exception is the enheartening demand for vacation goods at low price ranges. Collections remain slow and tedious for the credit department. The automobile retail industry is facing a problem with Ford and Chevrolet taking about three-fourths of the market. The remaining quarter is weak nourishment for the balance of the dealers and sales are reputed to be off twenty per cent or more. Idle hands are still a drug to the retail markets with no relief in sight. Production does not have a brilliant outlook with the new tariff throwing mud in the face of export buyers. Hard work and rigid economy are still watch words placarded for all to see.

Agricultural Situation

The earliest crops moving to market are yielding low prices and must be so sacrificed because of pressing need for ready funds. Unfavorable weather conditions may have some deterring effect on early crops to be harvested; rains have been needed to offset scorching temperatures. Farm markets do not appear to be very welcoming for fall sales. Too much

Some feel that credit lines should be contracted in dull periods and extended during the rosy ones. Few seem to realize that exercising the latter leads directly to the former. Far better to have one consistent policy not warped by the sentiments of the business barometer and a known matter of record for all of the clientele.

Business Is Just 8% Below Normal



Courtesy of Nation's Business

uncertainty exists over the operation of the Farm Board.

Employment

No visible improvement is noticeable. The Veterans' Bureau is organizing employment agencies for ex-service men but there are too few employers making use of this opportunity to get men. General Electric Co. is leading the way for the trial of unemployment insurance to be supported jointly by the company and the employees.

There is a very wise policy which seems to be generally accepted whereby wages and hours will be arranged to provide workers with some sort of livable income rather than cut down labor costs through the customary layoffs.

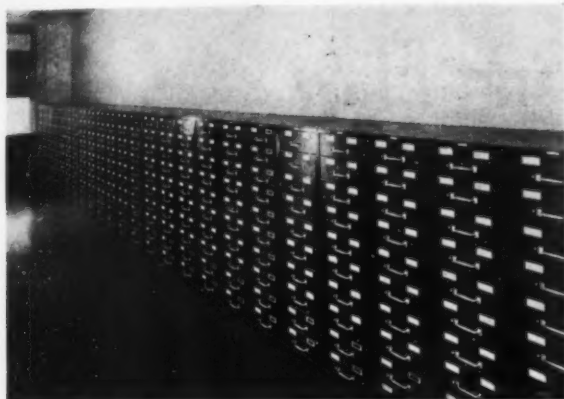
The census department now announces that between two and three per cent are out of work. Most of these are in the manufacturing districts. Mining and the manufacturing lines are showing the worst records for slack operations. Current figures are between ten and twelve per cent below last year.

Credit Conditions

Retail buying continues from hand-to-mouth and cash transactions are gradually giving away to more installment business in some lines. The now famous study of the 100 Ford families revealed that 59 were buying something on time.

Collections as reported from the chief markets of the country remain slow but business failures, while they

(Continued on page 26)



The San Francisco Bureau Files
An ounce of protection is worth a pound of cure.



Picture by Keystone

Caught in the Files of a Credit Bureau

By M. G. RILEY
Mgr. Kansas City Bureau

ON DECEMBER 22, 1927, a young man, then twenty-seven years of age, heard the gates of San Quentin Penitentiary close behind him. He had before him a "stretch" of five years for forgery. He became a model prisoner, for he soon learned that only model prisoners were treated with consideration. It wasn't long until he was assigned to Road Camp No. 17 at Oroville, California. Here he had many opportunities for escape, and finally on Nov. 24, 1929, he could resist temptation no longer and he disappeared.

What this fellow did from November 24, 1929, until June 3, 1930, or where he was he alone knows. He was an escaped convict, so naturally he did not wish to attract any more attention than was necessary. He visited among many middle western cities, Jacksonville and Alton, Illinois, that much is certain, for it was in one of those towns that he married a nice young lady who had been his childhood sweetheart. To her he was known by his real name. She did not know that the Chevrolet coupe he was driving had been obtained by fraud under an assumed name and that the G. M. A. C. in Peoria, Ill., was carrying the paper on the car.

They had planned to go to California. Kansas City was on the direct route. His finances were getting low, the total sum of \$1.20 was in his pockets. He couldn't go far beyond Kansas City on that amount. Just what his plans were are not known, but it is a fact that he signed an order for a new Pontiac automobile on June 3, 1930.

He was to trade in the Chevrolet and told the auto company he would obtain a bill of sale in a few days from California; for the car carried California tags. His story was that he intended to open up a business of his own. He gave his right name and said his home was in San Bernardino, California, and that he was a painter by trade. He gave several paint companies in San Bernardino as reference. He was a rather convincing talker and the salesman who sold him was well impressed with him and his story.

In the regular order of business the G. M. A. C. received the paper on this deal. The Credit Department was asked to make a rush case out of the deal. They had several references they could wire in San Bernardino and although on its face the application did not show average risk, it was their duty to get the facts and give their dealer an answer.

A New Worry for Credit Managers

Credit Managers cannot help but view with considerable alarm the trend toward dishonesty among men and women holding positions of trust and apparently having all the qualifications of a good credit customer.

Almost every issue of the daily papers carries stories of embezzlement, fraud and manipulation not by professional crooks, but men and women of high standing in their communities—Bank and Corporation officials, trusted employees to whom the finger of suspicion has never been pointed.

It is amazing to note the great increase in the number of cases reported. In fact the possibility of credit loss through dishonesty has grown to be a greater problem than that of personal bankruptcy.

While the great majority can be traced to gambling and speculation, the real basis of a large percentage is extravagance and Credit Managers today will do well to inquire carefully into the personal habits of their customers and keep in touch with their social life.

D. J. WOODLOCK.

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How would they get the credit information?

Wire direct themselves or request the Merchants Association Credit Bureau, Inc., of Kansas City to wire the Bureau for them?

The dealer was in a hurry—he had said so!

G. M. A. C. always tries to meet every reasonable request from their dealers.

The efficient young lady who handles the detail on the Credit Desk at G. M. A. C. had to make the decision. She selected the Bureau and was assured of prompt service.

At 3:02 p. m. June 3, 1930, the following telegram was sent by the Merchants Association Credit Bureau:

"San Bernardino Business Mens Association,
25 Fuller Building,
San Bernardino, California.

DIVISION CREDIT BY TOMORROW MORNING SURE JOHN DOE THIRTEEN THIRTY SIX WEST SECOND STREET STOP PAINTER PAPER HANGER STOP W. G. FULLER PAINT COMPANY CITY PAINT COMPANY J. C. MURRAY GROCER B. W. WARD AND COMPANY FIRST NATIONAL BANK

Merchants Association Credit Bureau, Inc.

Kansas City, Missouri.

By night letter sent June 3rd and received in Kansas City at 10:17 p. m. the following reply was received the first thing on the morning of June 4th:

"Merchants Association Credit Bureau, Inc.

Hewson Building,
Kansas City, Mo.

JOHN DOE SENTENCED TO SAN QUENTIN PENITENTIARY FOR FORGERY NINETEEN TWENTY SEVEN AND ESCAPED NINETEEN TWEN-

We have had a magnificent illustration of the difference in attitude toward crime and transgression since we have had prohibition.—S. L.



TY NINE STOP REWARD FOR CAPTURE AND RETURN STOP WANTED ALSO BY SAN DIEGO SHERIFF STOP AGE TWENTY SEVEN HEIGHT FIVE FEET FOUR AND ONE HALF WEIGHT ONE HUNDRED FORTY FIVE EYES GRAY HAIR BROWN STOP TATTOOED BLUE ARROW LOWER LEFT ARM STOP HOLD PENDING WORD FROM CALIFORNIA AUTHORITIES.

San Bernardino Business Men's Association,
San Bernardino, Calif.

G. M. A. C. and the Detective Department were notified. Two capable detectives were put on the job with the Kansas City Bureau Manager. He was not registered at the hotel, the address he gave on his application. He was not expected to return for a day or two to the motor company.

Had he suddenly left town—afraid he might be caught?

The hotel register revealed a married couple registered from San Diego, California, and the handwriting was somewhat similar to that of John Doe. He was not in his room, but his wife was. We would wait until he came in. While waiting, one of the detectives saw a Chevrolet coupe with California license pass the door of the hotel. He followed it. The man who got out of the car in the next block returned to the hotel. He answered the general description of John Doe so he was picked up and at Police Headquarters he admitted he was wanted in California. He signed a waiver to be returned there.

The Chevrolet coupe was recovered by the Kansas City branch of G. M. A. C. and held for their Peoria office.

G. M. A. C. in Kansas City had been protected from a sure fire bad deal. California had an escaped convict. The G. M. A. C. in Peoria, Ill., had their Chevrolet.

And only because the Credit Bureau had been used!

It is only fitting that we go behind the scenes for a few moments and

see what happened in San Bernardino when they got the wire from the Kansas City Bureau, or better still, let Mr. A. M. Nye, Manager of the San Bernardino Bureau, tell that in his own words as he does in extracts from a letter he wrote afterwards to Mr. M. G. Riley, Manager of the Bureau in Kansas City.

Mr. Nye says: "The references named in your telegram didn't mean anything. Three are now non-existent, one didn't know him and one did. It happened that we had a file on him and the only thing in that file was a newspaper clipping in 1927, mentioning his arraignment on a charge of forgery. With that as a starter I ran his trail through the Justice Court, Superior Court, Sheriff and Sheriff's Identification Bureau.

"I knew something of what the service would probably mean to you and took a lot of personal satisfaction in getting it for you. It is especially pleasing to learn that it was so timely and concerned so important a subscriber as General Motors Acceptance Corporation. The sales lesson to G. M. A. C. and all their sisterhood is, that Hooper Holmes, Retail Credit, Bradstreet, and all such have no local, individual file at command. It is a two to one shot that had G. M. A. C. cleared him through any agency other than the Credit Bureau, they would not have received the prompt and definite report of criminal record, for the reason that none of those other agencies would have had a file to contain the newspaper clipping that put us on the trail."

There are 1100 Credit Bureau members of the National Retail Credit Association ready and willing and capable of rendering this kind of service.

Good credit reports do not make good stories, but the service on the good ones is what makes for profitable and safe business—be it merchandising, banking or financing.



I have been paying my bills promptly, I am apparently a sucker. I am not going to pay my bills so promptly, unless in the next three or four years you educate me to believe that I am only doing that which I ought to do, that which I am expected to do.

I buy goods, I receive bills, I pay, that closes the transaction, apparently satisfactory to the store, certainly to me. But no one has ever asked me, no one has ever told me, as an individual buyer, what I was expected to do.

The Damon and Pythias

SAN FRANCISCO



Office of the Manager, Mr. S. E. Sherman

convention—especially when business sessions started at 12 midnight and finished at 5 a. m.?) But our reporter listened to an interesting story.

Mr. Sherman is the manager, and he told in a modest way about the two bureaus over whose destiny he presides—San Francisco and Oakland, California.

OUT where the tall redwoods sweep the clouds there are twin bureaus which are making bureau history. Our reporter talked to the manager of these bureaus one morning at the convention. (Can you imagine an 8 o'clock breakfast appointment at a

C. O. of the Adjustment Department.

It is difficult to personalize a credit bureau. A very efficient one is a very automatic thing, but beneath the recognized efficiency of these two bureaus is a real personality which expresses itself first in the character of staff which runs them and secondly in the character of the service they give. Here is the place where east meets west.

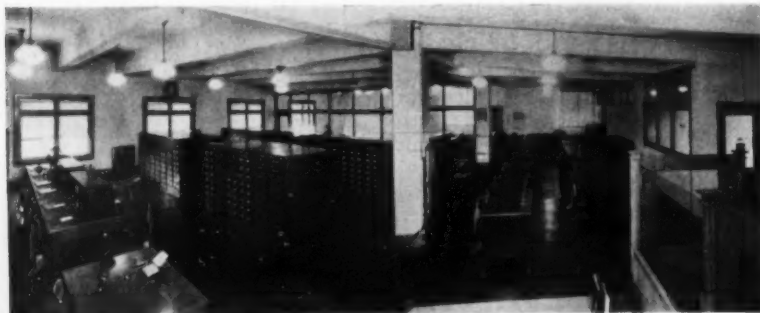
Between the two bureaus are the records of a million people. From every city and town in the union, California receives her quota, and both of these bureaus have a tremendous job in gathering information and passing it on to their merchants. In the San Francisco bureau during the months of January, February, March, April and May there was issued 86,707 reports, and in the Oakland Bureau, 42,659, a total for these two bureaus in these five months of 129,366 reports delivered to their members.

And in speaking of personality, Damon differs from Pythias only in size and style. One of them is tastefully finished in walnut; the other in light oak—a brunette and a blond.

They are particularly noted for their orderly and efficient arrangement. The battery of files in the San Francisco bureau certainly typifies "Files on Parade." You have just been given an idea how many "Danny Deever's" are taken out of them every day to be shot at sunrise.

They have the latest and most complete filing system available to date for credit operation. The files are arranged in such a way that they are so easy of access that the time required to get the *dope* is the absolute minimum.

The bureau's Turret System indicates that they have



A View of the San Francisco Bureau

Mr. Hulse of the National Office, a gentleman whose memory and impressions are depended upon by THE CREDIT WORLD visited these bureaus last spring. He refers to them as the "Damon and Pythias" of the Service Department.

In San Francisco Mr. Sherman holds chief command of both bureaus, while under his able generalship Col. W. H. Winters holds second command at Oakland with Mr. Charles J. Benson at San Francisco, both bureaus then are well supported by Lewis P. White as



The Turrets at San Francisco

San Francisco has just become 100% National and has sent in 375 new members giving them a total of

475



Fact vs. Subterfuge Here! The Law Department



Typing Room Craftily Sound Proofed

of the Service Department AND OAKLAND

the latest improvements in rapid transmission of reports to inquiring members.

The entire office is craftily fitted with sound proof construction so well that when you go into the typing room where the reports are produced by an army of typists using the average noisy type of typewriter, you are surprised to find them as silent as if noiseless typewriters were used. We understand that this soundproofing cost about \$2,000. It was obviously a very wise expenditure.

The Collection Department occupies the floor directly beneath the Reporting Department in the San Francisco office. (There is no collection department in the Oakland bureau.) This department handles a tremendous volume of collections.

Both these bureaus are 100% National and they have



The Oakland Bureau

worth while endeavors are usually best accomplished by a comparatively few individuals who have ability and a grasp of the project. Take a small portion of business men and sell them an idea and have them execute it as leaders, then the project takes hold automatically as the result of the leadership evidenced.

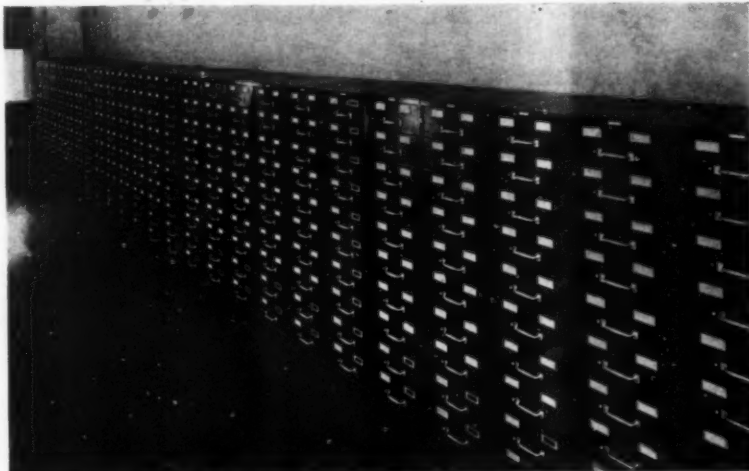
The first step for Mr. Sherman is to sign as many as he can get of his leading merchants to an agreement setting forth just what the terms are to be in the city of San Francisco and Oakland and have them understand that those terms are to be lived up to. After he has this agreement his next step is to go into the newspapers and announce what has been done in consecutive, continuous, educational advertising with the correct psychological approach upon the subject to the buying public of the two communities. The rest of the merchants through the printed word in the newspaper will be sold that this thing is actually established and will soon fall into line. There is great advantage for the merchants to fall in line with Mr. Sherman's efforts in this direction.

First—The elimination of the pyramiding of accounts.

Second—A proper turn-over or per cent of recovery on receivables.

Third—An intelligent control of

(Continued on page 26)



There are a Million Cards On File Within the Two Bureaus

come to the special notice of the National Office recently through the effort of Mr. Sherman to establish a community credit policy. He recognizes that the first step in its development is to establish a community credit conscience. This is necessary for complete co-operation in the development of correct credit terms and a rigid adherence to the terms after they have been determined, and then these terms with the merchants working in accord and harmony, must be proclaimed to the credit users of San Francisco and Oakland, and contiguous territory.

Credit Communities are created largely by Bureau

The Bureau's Turret System indicates that they have the latest improvements in rapid transmission of reports

The entire office is craftily fitted with sound-proof construction



The Turrets at Oakland

(Continued from page 25)

credit losses as reflected in the Profit and Loss account.

Then they must realize that a certain definite turn-over or per cent of recovery must be had on Accounts Receivable, in order that they do not accumulate **FROZEN ASSETS**. The only merchant in America who owns *cashable Frozen Assets* is the *ice man*. Frozen Assets is but another name for "FOOLISH CREDIT EXTENSION."

Mr. Shermantine has set out on the highway that leads to sane, profitable credit merchandising. All he needs to accomplish it is an enlightened fraternity of retail merchants to back his leadership.

Someone who is being supported for three months by the retailers is a kept man or a kept woman.—S. L.

Creditorial

(Continued from page 6)

wrecked faith and broken confidence, problems in sociology; despite all this, we have also experienced that deep sense of satisfaction in having been instrumental in the rehabilitation of the less fortunate and those of no hope.

In community relationship there is an almost virgin field for the improvement of credit conditions. Many merchants of the country are apparently ignorant of the value of an efficiently managed bureau, its aims and objects, and the benefits to be derived in his own business by closely cooperating with it. He has not been sold on the merits of civic organization of credit through concerted action and standardized practice; the map is decidedly "streaky" in this respect.

True, there are those few bright spots in our National geography, where a Community Credit Policy prevails, and where as the result of earnest endeavor on the part of men with vision and foresight, we may turn our eyes for inspiration and encouragement but until this is the general rule and not the exception, we can never rest on our oars satisfied.

Three things are vital and necessary in the realm of retail credit today: First, subscription to an adequate code of ethics. Second, a national community credit policy. Third, a universal system of credit education, in its broadest and general sense. *These three, but the greatest of these is "Education".*

The Veering Flaw

(Continued from page 21)

show some slight increase in number, do not gain in liabilities. This is an indication that the larger firms are weathering the storms much better than the smaller ones.

Week of June 26.....	498 failures
19.....	466
This week, 1929.....	349
1928.....	409
1927.....	455
1926.....	327

Bradstreet's for June 28th shows an interesting survey of six industries having comparative credit losses for the past three years as follows:

1929.....	.697%
1928.....	.567%
1927.....	.617%

Men and Boys' clothing had the least credit losses while Boots and Shoes had the highest.

Commodity Prices

Contemporary writers say that prices are to be stabilized at present levels. If this is so, then the up-turn is not far hence. Foods and farm products have shown new low points. In general prices are between seven and ten per cent lower than last year. Severe competition in brands of food products is being felt. Independents are giving chain operators a better fight for the consumer's dollar.

Building Operations

Highway construction added to that undertaken by utilities gives the only advancing activity in this field. Private enterprise which includes residential building lags well behind its performance for last year. Current figures indicate the difference is about thirty or thirty-five per cent. The sales results for companies handling allied products bears out this situation. Strong bids are being made for the remodeling or modernizing market which provides outlets with decreased competition. This is well organized in the plumbing and heating industries.

Credit People have been almost as inarticulate as Bankers. Now is the time to advertise.—S. L.

THE CREDIT WORLD

Stock Market

The nose dive that prices took in June gave the returning confidence a severe jolt. Undoubtedly this has had a deterring effect upon general business. Prices have plunged to lower levels and only the best have had much success in recovering. One explanation for the recent recession has been given as the discounted expectancy for mid-year earnings. Bond prices on the other hand take strength from the stock prices and have risen a few points.

Persuasive Influence

(Continued from page 14)

being worn largely from the picture screen.

As a result of a survey by Photoplay in which 10,000 women between the ages of eighteen and thirty were questioned, it was discovered that this class of women buys yearly on the average \$62.00 worth of lingerie, \$66.00 worth of silk hose, or 40 pairs at \$1.65 each; \$40.00 worth of shoes at an average of \$8.00 a pair; \$30.00 worth of hats at an average of \$6.00 apiece; \$313.00 worth of ready-to-wear, and \$118.00 worth of accessories, incidentals, jewelry, gloves, purses, et cetera.

In America the average marriage age is 24 to 26 for men and 22 for women.

The vast majority of people marry when they are on their first stable economic level and it is on the first rise from this level that they build. This times comes about five years after marriage. If building is not set about it is under way in the thirty's or there is likely to be no building at all. House furnishing of course commences at marriage in the great majority of cases. And slightly in advance of this the household accessories such as silverware is purchased by the bride to be or for the bride to be. At any rate, 67% is purchased by people under thirty years of age and the first purchases of flat silver are made before 24. These facts are interesting evidence of the buying power of the young people.

Mother knew best in the gay 90's but daughter dictates today. The young woman between the age of 18 and 30 is the greatest dominating influence in modern merchandising and the moving picture is the predominating influence in moulding her tastes. Any furniture dealer will tell you the daughter is the impelling influence for better home surroundings and any father or young husband who tries to dictate more than the price range of the cars they buy finds himself stymied by the winds and oceans of the young daughter or young wife who has been cleverly coerced by the influence of her social surroundings, the most potent of which is the moving picture.

Who knows but what some day the moving picture will naturalize this country completely and maybe Americanize the whole world.

As President Hoover has said, "If we search in the channels through which acquaintance and appreciation may flow over our borders, we discover that a vast new current has been added by the Motion Picture. It is the most penetrating and persuasive of all methods of world communication."

The National Retail Credit Convention at Toronto

By BURR BLACKBURN

*Director of Research, Household Finance Corporation
(From Personal Finance News)*

AN OBSERVER at the annual convention of the National Retail Credit Association in Toronto, June 17th-20th, 1930, could not help being impressed with the fact that this great National organization after eighteen

years of development is just now girding its loins for an even greater effort, not only to widen the scope and plumb the depths of the possibilities of credit but also to solve its fast mounting problems.

Reorganization of the association's finances will make possible the employing of a much larger field force, which will be engaged throughout the year in organizing and strengthening the work of local credit bureaus and collection departments.

Discussion extending throughout the three days indicated that credit men find themselves in the dilemma of being forced to lose their customers' good will, either because of old-fashioned restrictions on credit, or because of pressure brought to bear upon slow payment of too liberal credit. They are faced on one hand with the enthusiasm and determination of the sales promotion department and on the other hand by cold facts developed in the credit study by the Federal Department of Commerce which shows stupendous losses, not so much from bad debts as from having capital tied up in slow collections.

These credit men were particularly concerned with the effect of installment credit and small loans upon the collection of the much larger volume of open account credit. Perhaps the outstanding event on the program was the discussion of installment selling by Claude W. Phelps of the Department of Economics and Commerce of the University of Chattanooga. Mr. Phelps denied that installment credit is increasing abnormally, stating that it composed 12% of retail trade in 1923, and only 13% in 1929.

However, he said that installment credit has led consumers to spend a larger share of their income for durable goods. Payments for these naturally have preference when they come into competition with due payments on open accounts. His studies show that two out of every five families are paying on installment purchases. He challenged the credit managers

Burr Blackburn needs no introduction as a discerning observer of developments of interest to the personal finance business. In this article he combines the outstanding news with his own impressions of the discussions at the recent convention of the National Retail Credit Association at Toronto.

to make it known that open accounts must be paid as promptly as installment accounts.

Better Credit Control

Dr. Phelps was particularly concerned about improvident installment buying and borrow-

ing (as he considers small loans just another species of installment selling). The furniture dealers in Chattanooga, he discovered, in one year made 2,353 reposessions; and during the same period, auto dealers reclaimed 494 cars. During that year 10% of the families of Chattanooga experienced having their installment purchases repossessed. In a recent study of Chattanooga bankrupts he found that 54% of the bankrupts owed personal finance companies and 51% had accounts with two or more companies. Some times a family was tied up with four or five companies. Since the discovery of these "double ups," most of the leading firms in Chattanooga have united in an Exchange which will prevent similar overlending in the future.

However, Dr. Phelps insisted that credit control will not be satisfactory until installment credit and small loans are properly correlated with open account credit. This was evidenced by a question listed in the agenda of the department store group, "Have Industrial Banks been brought into existence owing to the number of people who, having become indebted in several directions, are borrowing money to retire their obligations and, while the loan is being repaid, commit themselves further with the result that they find themselves more involved?"

In talking to these credit men, one is also impressed with the fact that few of them appreciate the service being rendered to retailers by the personal finance companies. They do not realize that most of the half billion dollars advanced by the personal finance companies throughout the United States is borrowed to pay debts which otherwise would continue as frozen assets for many months. It becomes necessary to explain that in case a borrower is again overloaded with installment purchases, the error is in super-salesmanship and not chargeable to the personal finance service. Neither did we find any material appreciation of the

(Continued on page 47)

You Can Do What You Want--If

THE GREAT OPPORTUNITY THAT

You can do what you want, if you know what you want to do. If you want to go to the public and tell them that it is the thing to do to pay their bills, you can put that across in time, and you can have it accepted.

BUY goods, I receive bills, I pay, that closes the transaction, apparently satisfactory to the store, certainly satisfactory to me. But no one has ever asked me, no one has ever told me, as an individual buyer, what I was expected to do.

If a man or a woman goes through life normally, he or she goes through life as a creature of habit. The first time that the little child laces its shoes, that is a momentous operation. You lace your shoes without thought, you are practically unconscious of what you are doing, because it is habitual with you, you have done it so much that you have formed the habit.

Now you can form a habit of paying your bills promptly, and whichever way the habit goes, it becomes accentuated. I remember some years ago, when I introduced a young man to an associate of mine, a friend of mine, whose boy was just entering Harvard, and this young man who was out of school five or six years at the time said, to the father, "I have a suggestion," he said, "I think you ought to take Franklin into camp every once in a while and find out how much he has overdrawn his allowance, how much he is indebted, and square him up, because if you do not square him up promptly, he will fall into the habit of thinking he 'might as well be killed for a sheep as a lamb,' and it will cost you less to settle his overdrafts promptly than if you let them run, because he will create a habit."

You credit people have been almost as inarticulate as the banker. My first impression of the banker was a man who sat in regal state, enthroned in some forbidding edifice, and carefully kept from touch of the common people. In fact, in France, during the war, the natives thought it was amazing that an American doughboy would smoke in a bank, and sometimes actually whistle. Now the banker has commenced to learn that he has an educational problem on his hands, and you credit people apparently have educational problems on your hands. That educational problem, as I see it, is to create the habit of paying bills promptly. If you can create a habit of mind and habit of thought, then anyone who transgresses, anyone who abandons that habit, is conscious of that fact,

As Preface

From article in March Forum by
Dr. Julius Klein

ONE of the most potent forces working for honesty in business affairs is the enormously increased significance of good will in our economic life. The very foundation of our whole commercial and industrial system is credit—and credit is only another name for confidence. These elements simply cannot exist in an atmosphere of chicanery. They cannot be created by compulsion of any sort. They rest upon inherent qualities of character. The elder Morgan once remarked that he was quite ready to lend a million dollars to some client who hadn't a cent in the way of tangible collateral, but who was equipped with a far more valuable asset—namely, sound character, plus ability.

Our credit mechanism has grown to an unbelievable extent during the postwar decade. It is a symbol of the fundamental integrity of our business world. Trading in the old days consisted of barter, of shrewd haggling and sly trickery between two individuals, each interested in outwitting the other in a direct swapping of commodities. Even a generation or so ago the operations of business were still quite simple and, on the whole, gave ample opportunity for such "horse trading" tactics. Today, however, we have an amazingly complex system of transacting our commercial and industrial affairs, and an outstanding feature of this complexity is the imperative requirement of candor and mutual regard. Otherwise the whole structure would be thrown into confusion immediately. In the field of financial transactions alone there is such a volume of interchanging paper, checks, notes, and vouchers, such multitudinous opportunities for fraud, that without a thoroughly well-grounded and widely respected standard of integrity the whole scheme of business would break down.

The element of good will hardly entered into business in the good old mid-Victorian era, but today it is perhaps the prime requisite for success. It isn't simply a vague generality, but a solid reality translatable into dollars and cents. Indeed, in many corporations, as recent merger operations have shown, the good will item is rated in cold figures, and at a higher value than the physical assets of the firm. How long would that be true if such corporations operated under the slogan, "The public be damned"? (This slogan, incidentally, has been distorted from the original meaning given to it by its author, Commodore Vanderbilt, who simply objected to being routed out of bed at three o'clock in the morning by an impertinent reporter, who insisted that "The public" must have a message from him at that moment.)

One of the most effective guarantees of the maintenance of policies calculated to build up good will is the very large part which advertising has come to play in business. Sound publicity simply means that the advertiser is pledging himself to

(Continued on page 30)



Illustrating the Moral Side of Credit

Courtesy of General Outdoor Adv. Co.

You Know What You Want to Do

CONSUMER CREDIT OFFERS TO ADVERTISING

By Stanley Latshaw

President Butterick Company
(From his convention speech)

and is more inclined to make that transgression as little as possible.

You can do what you want, if you know what you want to do. If you want to go to the public and tell them that it is the thing to do to pay their bills, you can put that across in time, and you can have it accepted, because what is worse, particularly with woman. "A woman," as some French writer said, "gets more consolation from the consciousness of a perfect French back than that of religion." Women want to do what is the proper thing. If it is supposed to be smart to run bills, to get goods and send them back, if that is supposed to be the smart thing to do, more and more women will do it.

If it is supposed to not be playing the game, if it is not supposed to be the proper thing to do, they will not do it. I think that most people, most women particularly, would rather infringe the Decalogue than the dictates of good manners and good taste.

Now, you have to create, by some means, a broad feeling that the thing to do is to pay your bills, and to pay them promptly, and I do believe that the average person in arrears, that is, in arrears habitually, not because of inability to pay, but because of being habitual laggards, is doing it without conscious realization of the value of money.

When you start to dun them, if you do, is it not a fact that the average person centers on the fact that he will pay. Can you center their minds on their delinquency? Have you educated them as to the value of money, and that it is not sporty to be a kept man or a kept woman, and that someone who is being supported for three months by the retailers is a kept man or a kept woman, that they are not independent, that they are not playing the game. Now, if you can make them understand that, you will find, in the course of five years, if you make a concerted, intelligent effort on this, that you will materially decrease the length of time between the contracting of the debt and the payment of the debt. I believe that the average persons who do not pay promptly, does not realize the hardships that they are putting on the storekeeper, and in turn through the storekeeper on themselves.

You want people to buy on credit, you urge us to buy on credit, you desire us to buy on credit, apparently, at least if my mail is any criterion,



Courtesy of Photoplay

Women want to do what is the approved thing—some women get more consolation from the consciousness of a perfect French-back than from Religion.



Courtesy of General Outdoor Adv. Co.

Illustrating the Social Side of Credit



This map shows the location of 160 towns and cities now running a Pay Promptly Campaign as revealed by recent survey conducted by the N. R. C. A. public relations department

but you have not told me that I should pay my bills promptly. You can tell the United States of America to pay its bills promptly if you do it cleverly, if you do it convincingly, you will create the idea, throughout the whole United States, men and women, you will create the idea that when someone is beating the store, beating the game, they are not playing according to rules. They are winning by a foul, and people do not want to do that, because your own records show that the majority of them are honest, the majority, the overwhelming majority intend to pay, but do they pay as promptly as they should?

I tell you there is still, all through this country, thousands and thousands of people who do not believe that capital is worthy of interest. There is still a wide spread misunderstanding of what is the due of capital. As a child, I used to think that a millionaire was a man who had one million dollars in cash in the bank, and I believe that there are many people who have a child-like opinion that a store has any quantity of money, and if they do pay their bills ultimately, they have fulfilled the letter and the spirit of the contract between themselves and the store.

You have an educational problem, how shall you solve that educational problem? Reference was made two or three times to hali-

This map shows the location of 125 towns and cities that want to start pay promptly advertising



tosis, in the preceding speeches. The listerine people have pointed out that you may give offense, unwittingly, they play it very subtly on the human, gregarious instinct of doing the proper thing. You can do the same thing, if you care to. You can make people understand, in the course of three, or four or five years of education, that it is not clubby, one hundred years ago, men spoke of debts of honor, if they lost at cards, they must pay, or being unable to pay, if they were perfect gentlemen, they committed suicide. But during that same time, a debt to a tailor or to the bookmaker was not considered a debt of honor, he was a "Varlot" that was fortunate if the lord condescended ever to pay him.

Now, those times have changed, we are in a democracy, we have no

PREFACE

(Continued from page 28)

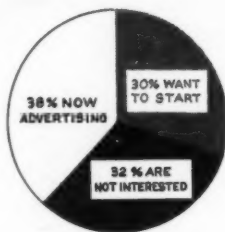
the public to maintain his reputation for integrity. He steps out into the open, where any shortcomings of his product or his policy can be promptly singled out by his competitors or by the vigilant consumer. An increasingly large part of the hundreds of millions now being spent on advertising in this country is devoted to precisely this type of good will maintenance. This is evident not only in the campaigns of individual firms, but of whole industries, which, through their trade organizations, are definitely committing entire industries to the maintenance of sound, ethical policies.

In these days, when such public declarations are the accepted rule in business, it is perilous for any individual or group to make itself conspicuous by failing to take the public into its confidence. Competition has become so intense and—what is more important—the means of communicating news as to delinquents have become so much more alert and effective, that the consumer is firmly entrenched in a "you've-got-to-show-me" position. It is manifestly up to the manufacturer and merchant to prove their right to the confidence of the consumer and of the public in general. There are now too many ways of finding out what is going on behind the business scenes to risk any other policy but that of absolute frankness.

aristocracy, and who made these rules of honor? You can make rules of honor, you can tell people what rules of honor are, you can tell the people all over the United States what rules of honor are, and eventually you will get the strongest force you can have.

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BUREAUS USING PAY PROMPTLY ADVERTISING CAMPAIGN (412 REPLIES)



RESEARCH DEPT. NRCA

A Survey of Pay Promptly

Advertising covering Bureaus in 45 states, the District of Columbia and the Provinces of Ontario and Alberta (Canada) was recently conducted by the National Retail Credit Association to discover the facts regarding pay promptly advertising as now running or contemplated.

A total of 416 replies from that number of cities revealed these bureaus to be distributed in four classes of cities as follows:

POPULATION				
No. of Bureaus	Cities up to 10,000	10,000 to 50,000	50,000 to 100,000	All over 100,000
416	165	164	31	56

or by percentage Distribution (40.0) (40.0) (7.0) (13.0) These bureaus operate in the midst of a 31 million volume of population or about 1/3 of the population of the United States.

38% of our Credit Bureaus represent by their own statement a credit volume which when evaluated to 100% would be 18 billion.

60% of this volume runs perpetually delinquent to an average period of 70 days.

The amount of money reported now being spent on pay promptly advertising evaluated to the total number of bureaus is \$454,310.

LENGTH OF ADVERTISING CAMPAIGNS

LESS THAN 3 MONTHS

15.2%

3 TO 6 MONTHS

12.5%

6 TO 12 MONTHS

37.2%

LONGER THAN YEAR

35.1%

RESEARCH DEPT. NRCA

For Economic Immorality Education

We find that carelessness or social indifference and ignorance of what the economic failure involves are the basic reasons for delinquency in the prompt payment of obligations. Methods of attack through advertising which are to be educative in character would deal with these two major considerations. On account of the social competition which characterizes the social life of the American buyer an individual cannot afford to endanger the place that he has gained in his social relationships by delinquency in meeting his financial obligations. If he were made to feel that such delinquencies would result in such social and economic insecurity, he would be powerfully stimulated toward prompt payment of his debts.

There could be no more effective appeal in an advertising campaign than one which would make it progressively impossible for men and women to make light of the fact that they are in debt and to build up social disapproval for the delinquent. Tho the problem of increasing credit buying is social, the problem of prompter paying is moral. Educational, inspirational and reminder advertising is necessary for a better credit consciousness. The retailer in effect makes a loan for the purpose of making possible a sale and to satisfy now a desire of the buyer. He allows the article which is collateral for the loan to be used while the loan is being returned. That is a marvelous modern service to people and advertising has played an important part in this development. He should now use advertising to ease his burden.

If Listerine produced a social consciousness that changed the breath of a whole nation you can produce a credit consciousness that will change the buying habits of your people, teach them to pay promptly, happily, and systematically. You can make advertising beat a tattoo into the minds of your people until they do react but you must direct your efforts in a subtle way. You cannot preach.

An appeal should first be made which tends to awaken and accentuate feelings of inadequacy and insecurity on the basis upon which the inertia of present habits and attitudes towards payment of obligations depends and then a positive educational procedure should follow.

METHODS OF FINANCING ADVERTISING CAMPAIGN (193 REPLIES)

Budget from Bureau Funds 45.1%

Contributions 23.7%

Assessments 24.1%

All other plans 7.1%

RESEARCH DEPT. NRCA

The amount reported contemplated is 265,715.

The remaining bureaus reporting not interested, if were interested would then spend averaged between the two groups that have already reported, \$380,580.

The total amount of pay promptly money then possible on the basis as reported is \$1,100,605.

This is 1/10 of 1%.

A budget for various sized towns based on experience of towns that have used a campaign

	10,000	50,000	100,000	200,000
1/10 of 1%.....	720	3,600	7,200	14,400
*1/7.5 of 1%.....	1,080	5,400	10,800	21,600
1/5 of 1%.....	1,440	7,200	14,400	28,800

*1/7.5 of 1% of the retail credit volume represented by 1100 bureaus equals approximately 2½ millions which was the amount carefully and exhaustively determined in the original 7 million dollar plan as presented last October. This yearly amount sustained for 2½ years was confidently expected to improve the delinquent evil 30%.

SUCCESSFUL CAMPAIGN RESULTS (211 REPLIES)



RESEARCH DEPT. NRCA

Credit Protection Proves Beneficial

Specialty Shops Faced by New Credit Problems—Merchants Cooperate in Ledger Information, Survey Reveals

CHICAGO merchants on Upper Michigan Avenue are adequately meeting the series of Credit Problems, that have arisen since the advent of specialty shops on a large scale, according to a survey recently completed by the Research Department of Ross & Browne. A thorough study of Credit protection in the interests of the merchants was made in connection with the survey.

It was noted that shops on Upper Michigan Avenue and Lake Shore Drive, including contributory streets, suffered comparatively few losses from actual residents in or adjacent to this territory. If the shops drew their entire patronage from this territory exclusively, probably few credit difficulties would arise, even though the population has increased many thousands since the erection of the many multi-family apartments and hotels along this exclusive mart of retail commerce. However, it was particularly observed many people from all sections of Chicago have opened, or attempted to open, accounts on the Avenue. It is assumed that the accessibility, individuality and prestige, abetted by original newspaper advertising, is, in the main, responsible for their wide range of popularity.

Unfortunately, a few of the latter class proved delinquent in meeting their obligations. In the majority of cases, they were careful to present only such references as they knew would be acceptable. Too, Avenue residents change locations less frequently and are easier to locate. In the other class, especially those who proved the more embarrassing in credit relations, different addresses were registered at various shops. As most exclusive merchants are under a large overhead, they can ill afford to carry a large number of past due accounts on their books for any long period of time.

To meet this condition, the Michigan Avenue Association called a meeting early in June of this year, where representatives of business houses on the Avenue unanimously concurred on the following:

"That it was desirable for all references to be cleared through a Central Bureau. Only through such procedure may the fullest value of references on new accounts be obtained in the minimum length of time." The Credit Reference Exchange was chosen by the Central Bureau to handle this work.

The Credit Reference Exchange, which is the Chicago link of more than a thousand similar bureaus located throughout the country, created a special service, which takes into consideration the individual credit problems of Avenue merchants. Within three months nearly ninety per cent of the merchants became members of the Exchange. To date, twelve thousand out of approximately

seventeen thousand accounts, have been cleared through the Exchange, and by virtue of the ledger information thus secured, these stores have traced innumerable undesirable accounts. They have based practically all their credit action on the strength of the history of potential charge account clients with other stores.

In other words, instead of blindly extending credit as have been customary in the past, the ledger information secured from other Michigan Avenue houses, who have had such customers on their books, gives a true account of the prospective customer's buying, spending and paying habits. This history, plus the number of accounts, offers the interested merchant the opportunity of basing the extent of credit to be granted, if at all; and also, whether the prospect is sufficiently substantial to sustain further credit, albeit the standing at other stores may be "A number One."

Formerly, a merchant was forced to write to the applicant's bank, business and trade reference, hoping that sufficient replies would be received to assist him in judging the account. A *take-with or immediate delivery*, under this old system often proved embarrassing to the credit manager, and annoying to the customer.

Several days later, or perhaps a week, about four replies were received, and usually read something like this:

Bank—"Moderate three figure account, no loans, no information on credit standing."

Store A—"In good credit standing."

Store B—"Consider good for moderate credit favors."

Store C—"We consider O. K."

It followed easily from reading such replies that it was impossible for the average store to understand just what was meant, i.e.—moderate credit in one store may mean \$25.00 and in another \$300.00—and to know the true value of the information received.

The new system includes a specially prepared card which features all necessary information clearly and concisely—length of time account has been opened, active or inactive, highest credit, habit of pay, review of general experience of the account as well as the names of other houses which have previously referenced the applicant.

At a given time a runner from the Exchange picks up the forms which the credit manager has filled out for each applicant. These forms are dropped off by other runners at the stores given as reference and picked up again at a specified time later in the day, after which they are returned, by runner, to the originating house.

Incidentally, the survey, though based on credit protection, brought out a number of other interesting facts. Chief among them is the increasing "aesthetic consciousness" of Upper Michigan Avenue merchants, which is becoming more and more apparent. This takes into consideration not only the unique store fronts and artistic

window displays, but the general character of the merchandising and service is found to be of a very high order.

According to consensus of opinion, eventually a great number of exclusive shops will band together on the Avenue between Ohio and Oak Streets, due to the quality and strength of the houses now existing.



Stimulating Crops With Credit

(Continued from page 9)

The fertilizer manufacturer must then find an outlet direct to the farmer or through a network of small fertilizer dealers. Credit for these dealers, however, is quite tight nowadays and many of them must depend on local bankers for loans to meet their short-term or sight-draft obligations.

Although the broker, cotton trader, or merchant does not become an integral part of this credit structure, he is nevertheless an interested element in the growing of cotton. If behind the trader there are battalions of prosperous growers, they will be encouraged battalions who will endeavor to produce higher grades of cotton and who will try harder to improve their yields after a disheartening year of cotton growing.

Perhaps the most satisfactory means for the bankers to effect improved cotton growing is through stimulating fertilizer dealers to encourage improved farming methods.

These dealers are far more influential with their cotton grower customers than one might imagine. For instance, nearly 70 per cent of the farmers buy their fertilizers from dealers, as is shown by an extensive survey recently conducted by the National Fertilizer Association. Besides, about 65 per cent of the farmers are guided by their dealers in the choice of fertilizers.

The percentage of farmers in the South who buy on credit varies widely according to the fertilizer association's survey. Generally the percentage is lower in most Southern states than in other agricultural regions. In West Virginia about 11 per cent of farmers buy fertilizers on credit and in Florida the number rises to about 48 per cent. The principal cotton states range as follows: Virginia 26 per cent, North Carolina 40 per cent, South Carolina 19 per cent, Georgia 33 per cent, Alabama 34 per cent and Mississippi 34 per cent.



An American's View of the New Tariff

(Continued from page 10)

"We find similar conditions in the homefurnishings field, where manufacturers have persisted in believing in the necessity of an intermediary distributing force between the factory and retail distributor, and also have paid too little attention to our changed methods of living and the nature of modern houses.

Differences Must Be Adjusted Between Production and Distribution

"The truth of the matter is that the mechanical efficiency in industry has run far ahead of our economic and social controls. If we can adjust these differences we shall then be in a position to understand just what kind of tariff we should have, or whether or not we should have any tariff at all. But no such decision might be reached until this desirable harmony between production and consumption is achieved, and meanwhile the tariff's only relationship to our general economic condition will be a convenient scapegoat for our other and more grievous errors of omission and commission. The tariff high, low, or medium, can neither correct, destroy, or inspire prosperity. As a matter of fact, we can never even understand the tariff while we consider it as a political issue."

For Better, Quicker Collections

Better collection letters—letters that will speed up your collections yet hold the good will of your customers—letters that will educate your customers to the "pay-on-the-tenth" idea—

Business-building letters that will bring back old customers and develop new ones—

That's what we offer you in the Better Letters Service! Not form letters — not stereotyped stuff — *but new letters written for the purpose every month.*

Here's What You Get:

1. Each month a four-page Better Letters Bulletin—four pages of constructive letter-ideas for better and quicker collections, for developing new charge accounts, for stimulating present charge accounts and reviving inactive ones.
2. Each month, copy for (a) one new letter to solicit new charge accounts and (b) one new letter to revive inactive accounts.
3. Every three months, copy for six new collection letters—letters that will bring you *new ideas* on collections.

Subscribe now
PRICE \$20.00 A YEAR

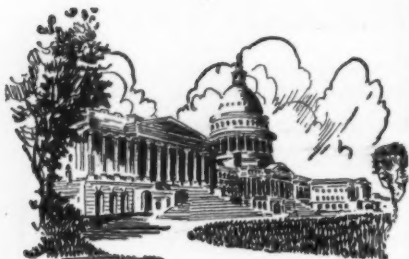
Order on approval—examine for five days—send back if you're not satisfied and we'll cancel the bill.

Better Letters Service

National Retail Credit Association
1218 Olive St. Saint Louis

WASHINGTON BULLETIN

June-July, 1930



FOREWORD

The unusual obtains most of the front page space in newspapers, and so it is that Public-No. 245-71st Congress, (S. 4,015 amending sections 4884 and 4886 of the revised statutes relating to patents, and which became a law with the signature of the President, while creating an innovation, not only in this country, but in the world at large, has attracted little or no attention. This bill, for the first time in world history, permits to be patented, development along certain specified lines in horticulture and floraculture. Nurserymen, who have advocated the legislation, say that it will mean to the fruit growing industry and to certain phases of floraculture, what the patent laws have meant for American inventors and manufacturers. Speaking with reference to this bill Thomas A. Edison has also said:

"Nothing that Congress could do to help farming would be of greater value and permanence than to give to the plant breeder the same status as the mechanical and chemical inventors now have through the patent law. There are but few plant breeders. This would eventually give us many Burbanks."

LEGISLATIVE CHECK-UP

Congress will have enacted the tariff bill by the time these notes appear in print, but, as was predicted in a previous bulletin, not much other major legislation will have been enacted into law. This statement includes railroad consolidation, bringing the bus lines doing an interstate business under the Interstate Commerce Commission, wire and wireless communication commission, Muscle Shoals, and several others of like importance. The tariff bill may or may not be entirely satisfactory, but the prediction is frequently heard in Washington that it will play a less important part in the November elections than appears at this writing, June 12, this being due in part to the marked forward-looking tendency of Americans.

A. Railroad Consolidation. This bill has been marking time pending action by both houses; neither the Watson bill in the Senate, nor the Parker bill

in the House have passed either body. The House has been conducting a hearing in connection with this subject into the operation of railroad holding corporations.

B. Motor Bus Bill. Another bill which has failed of passage is the act to bring motor bus lines doing an interstate business within the jurisdiction of the Interstate Commerce Commission. The House Bill, H. R. 10288 passed that body on March 24, 1930, but the Senate Counterpart dealing with the same subject is, at this writing, still on the Senate calendar awaiting action, and the chances are it will not be passed at this session. Even though it should pass the Senate, it has been amended to such an extent that a conference of both houses on the bill would seem to be inevitable.

C. Muscle Shoals. The Senate passed the Norris bill for government operation of the Hydra-electric plant at Muscle Shoals, Ala., but upon passage by the Senate, the measure was referred to the House Military Affairs Committee. That body changed the bill to give a commission authority to lease the plant by private operation, and in that form passed the House. The bill is now in conference, and if the Senate insists on government operation, it is likely to stay there.

D. A bill of considerable interest to credit men, H. R. 119, an act to prevent the sending and receipt of stolen property through interstate and foreign commerce, passed the House on February 5, 1930, but has not yet been acted upon by the Senate, and probably will not be at this session. The same applies to the wire and wireless communication bill.

DEPARTMENT OF COMMERCE CENSUS OF DISTRIBUTION

As an answer to the question "Who will get the greater benefit from the census—the chains and department stores, or the independent merchants?", it is announced by the representative of the Bureau of Census in charge of Retail Distribution that "Though the chains and department stores will undoubtedly profit materially from the census, the tabulations will benefit equally or more the so-called independent wholesale and retail merchants—because the Government is doing in an accurate, impartial manner for these merchants that which they were unable to do for themselves. The retail merchant in a small town will undoubtedly get as much benefit from the census of distribution as the retailer in larger localities. As a matter of fact, even a merchant in a city under 1,000 population, where figures for his town are not published, will, by proper use of the figures, be able to get as much benefit as if the figures were available for his town. For it is by comparing his operations with the average for stores of his kind and size that the merchant will be able to see where he is weak and to govern himself accordingly.

THE CREDIT WORLD

BANKING AND FINANCE

When it unanimously adopted Senate Resolution 71, the upper house in Congress finally took the action that will provide for the long sought investigation into the National and Federal Reserve banking systems of the country. It will be recalled that following the crash in the stock market last year such an investigation was demanded, particularly into the extent of the use of the facilities of these two systems in connection with stock speculation. It is not expected, however, that the investigation will get under way until after the coming fall elections. The following is quoted from the resolution adopted: "The inquiry thus authorized and directed is to comprehend specifically the administration of these banking systems with respect to the use of their facilities for trading in and carrying speculative securities; the extent of call loans to brokers by member banks for such purposes; the effect on the systems of the formation of investment and security trusts; the desirability of chain banking; the development of branch banking as a part of the national system, together with any related problems which the Committee may think it important to investigate."

INTERSTATE COMMERCE COMMISSION

All common carriers by rail, water, or rail and water, that are subject to the Interstate Commerce Act, are made party respondents under an order recently issued by the Interstate Commerce Commission whereby it will conduct an extensive inquiry into the general matter of coordination of motor transportation of passengers and property on the public highways by or in connection or in competition with the railroads. The inquiry will include the subject of rates, fares and charges, whether local, proportional, or joint, the schedules thereof, and the manner of filing and publishing the same. The date of the initial hearing under this inquiry has not as yet been announced but the indications are that the Commission will commence the inquiry before very long.

RECENT COURT DECISIONS

In the case of Helen Porak v. Sweitzer's incorporated, the Supreme Court of Montana has recently upheld the action of the lower court in entering a non-suit upon the finding that plaintiff was not libeled by the publishing of her name in the list of debtors circulated among its members. Plaintiff did not allege any special damages and the court after hearing testimony held that the mere publishing of Plaintiff's name was not libelous per se. (Case No. 6607, decided April 29, 1930.)

In the case of the St. Louis Architectural Iron Co. v. New Amsterdam Casualty Co., the Circuit Court of Appeals for the Eighth Circuit decided that the provision in a policy of insurance requiring the insured to give notice to the company at the time of the accident of any of its employees is a condition precedent to the company's liability on the

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policy and where in the instant case notice was not received by the insurance company until four months after the accident happened the lower court did not err in instructing the jury to bring in a verdict for the defendant insurance company if they found from the evidence that the notice in question was not given the defendant until four months after the accident to plaintiff's employee. In a suit against his employer the injured employee was awarded damages of \$15,000. (Case No. 8710, decided April 28, 1930.)

In *St. Charles Mercantile Company vs. Armour & Co.*, a case not yet reported, the Supreme Court of South Carolina has held the payee of a post-dated check liable to the maker in damages when the payee changed the date, and the check was presented for payment at a time when the maker of the check did not have on deposit sufficient funds.

In the decision handed down on May 19, 1930, the New Jersey Court of Errors & Appeals has delved into the question of when a receipt cannot be held to be conclusive evidence in satisfaction of a claim, the receipt in this particular instance having been marked "payment in full for above amount," and apparently having been written upon the bill. In this connection the court said, "A receipt, although prima facie an admission that the claim of the party signing it has been satisfied, is not conclusive evidence of that fact, and may be contradicted or explained; and where it has been the result of misrepresentation on the part of the person to whom it is given, such misrepresentation annuls the receipt."

Of Special Interest

(Continued from page 12)

tion from dealers or contractors with the commercial type of bureau.

"There is always a lack of confidence that proves fatal to the ends desired," Mr. Williams continued. "Men in the construction industry, regardless of the division to which they belong, will not confide to any commercial bureau foreign to the industry those essential and intimate facts necessary to the accomplishment of its purpose. It has been tried, time and time again, and it has always registered failure. It will do so with us if we try it."

Mr. Williams statement refers to the casual type of commercial agency. He fails, however, to take into consideration the fact that for over eighteen years, an association of bureaus owned and controlled by merchants has been in the process of building. The bureaus of the National Retail Credit Association are not of the nature he infers. Our bureaus are mutually owned and operated for service. There are 1100 of them with a total membership of 180,000 composed of retailers, bankers, professional men, and many engaged in the construction industry. These men not only receive service from their bureaus but sit on their boards of directors. All the building con-

struction industry has to do is to align itself with the bureau in their respective community as trade groups—to file their information with their bureau so they will not only have their own experience, but the experience of all of the business and professional men in their respective community as well. The antecedent history and credit record on sixty million individuals are already on file.

In conclusion, there is only one way to control consumer credit, and that is for all to work together. Separate organizations as reported above are detrimental to the system of consumer credit control in three ways:

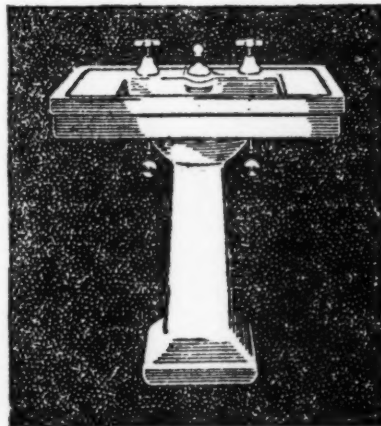
First, they dissipate reliable credit information through dividing it in a number of different offices.

Second, they raise the price of reports through duplication of effort, besides increasing the overhead.

Third, they dissipate funds which should be available for one organization supported by all.

Below is one of the Crane Co. ads reproduced in behalf of article on page 12.

1855 SEVENTY-FIFTH ANNIVERSARY • 1930



The Norwiche lavatory with pedestal, C955-C1. Supplied in 24 x 21, 27 x 22, and 30 x 24 inch sizes

vitreous china, the best

ware. The design is new, the slab roomy, the fittings unexcelled. It is offered in white or color; in pedestal, leg, or wall type. And it is priced exactly right for average homes. See it at Crane Exhibit Rooms, holding its own for beauty among the finest. For purchase and installation, consult a Crane

CONSULT A REGISTERED
OR LICENSED
MASTER PLUMBER OR
HEATING CONTRACTOR
WHO DISPLAYS THIS
SYMBOL



CRANE

PLUMBING AND HEATING MATERIALS

COLLECTION MANAGER

wanted by installment house of eastern city. Must have experience and executive ability to manage office with 35,000 accounts and force of outside collectors. Write, giving past and present connections and salary. Address Box 119, "The Credit World."

CREDIT and COLLECTION EXECUTIVE, versed in Sales Management, Office Management, and Sales Promotion, desires connection with large firm in an executive or administrative capacity. Excellent organizer and system man with proven record of years of experience. Write Box 120, c/o The Credit World.

The Lavatory for average homes

The Crane Norwiche lavatory has every improvement that modern plumbing progress has brought. It is twice-fired

10% DOWN
balance monthly

Qualified Contractor-Dealer. You pay nothing until it is in place. Then pay in easy installments.

CRANE CO.

30 S. 16th St., St. Louis, Mo.
Phone Chestnut 3151

WIT--CREDIT

AMOS 'N' ANDY 'N' CREDIT

(Contributed by the Clyde, Ohio, Bureau)

Andy, whut is dat card on de cash registeh? Has you jined anodeh lodge?

Amos, kain't you read? Sho' you is 'telligent 'nuf to know whut's on dat card? It means, dat de Fresh Air Taxicab Company of America, Incorporated, is now a membeh of de Credit Bureau. We has jined.

Andy, whut is a Credit Bureau? Whut do dem words mean?

Don't you know whut a Credit Bureau is Amos?

Co'se I knos whut a Credit Bureau is, but whut is *dis* Credit Bureau? 'Splain yoself Andy! 'Splain yoself!

A Credit Bureau Amos, is dis: You know whut it is to git Credit?

Sho' I knos whut it is to git credit. Don't I git credit fo' eberything whut goes wrong aroun' heah? CHECK AND DOUBLE CHECK.

Well Amos, I see you don't git whut we leadehs call de "propeh prospective." Lemme 'Splain. All big bizness men, includin' myself—belongs to a Credit Bureau. A Credit Bureau is—is— Amos, as part of de pussonnel of De Fresh Air Taxicab Co., you sho' is most ignorant of bizness terms.—You is plenty dumb.—

Well Andy, how kin I think of "terms" when I'ze drivin' taxis? I ain't got no time to think of terms. De only terms I think of is de jail term if I forgits to stop fo' a red light. Andy, dem lights will —

Lissen! Amos, Lissen! Yo' ignorance is refreshin'. You sho' has a one-track mind. When I discoveh jist whut track it's ridin' on den I kin 'lucidate. Long as you kain't think of nuthin' but 'bout traffic lights, why traffic lights it is. A Credit Bureau, Amos, is a kind of a traffic light.

Andy, is we goin' to hab more traffic lights?

No, No, Amos, shet yo' mouf, dis is whut we edicated men call an "illusterashun." Whut light we git from de Credit Bureau is jist fo' de brains of de Fresh Air Taxicab Company. I'll be de one dat's guided by dat light. Lemme repleat Amos, "a Credit Bureau is de traffic light of commerce—it keeps movin' in an orderly fashun de congestion of credit buyin." Does you git dat?

Sho, Sho, Andy, go ahead.

Well, from now on de Fresh Air Taxicab Company is goin' to be guided by de Credit Bureau in all its dealins wid its patrons. I'ze takin' no chances. I'ze goin' to keep out of all jams.—When I calls up de Credit Bureau, and dey say: "de Kingfish pay his bills promptly," dat's de GREEN LIGHT,—step on 'eh! When I calls up on Madame Queen an' dey say: "Very slo,— she pay sometimes in 120 days"—dere's where I begins to watch my step,—I'ze spicious. But when I calls up an' ask dem whut dey knos 'bout Amos Jones, an' dey say: "No good"—"pays no 'tenshun to statements"—"not 'sponsible fo' his obligashuns"—why dat's de RED LIGHT. Nothin' doin', I'ze regusted.

But Andy, I ain't got no obligashuns. No doctoh ebbeh told me I got obligashuns. Make's no difference, Amos, doctoh or no doctoh, if de Credit Bureau say, you got obligashuns you got obligashuns.

But Andy, whut do de Credit Bureau say 'bout yoself? Whut do de Credit Bureau say 'bout me? Well, well, de Credit Bureau say 'bout me, "Andy Brown, Prez-dent of de Fresh Air Taxicab Co. of America, big bizness man,—at a Grocery: Pays cash. Fo' Clothing: Pays cash. Fo' Shoes: Pays cash. At a Garage: Pays cash. Fo' Doctor: Pays cash. Dat's whut dey say 'bout me. You see I'ze all right.

Andy, why fo' you pay cash, ain't you got no credit?

Oh! Sho' Sho' I got credit, but I always pays cash an' dey always suspect it. But don't you go an' call up de Credit Bureau an' ask 'bout me, Amos, coz you kain't interpolate whut dey tells you.

(Ting-a-ling)—Dere goes de tele-foam!



Words of Wisdom—Although the other man passes you in his car, he may be behind in his installments. . . A fat man enjoys one distinct advantage—he knows just where the ashes of his cigar are to land. . . The only time you should not start at the bottom of the ladder is when you are escaping from a fire.

Your Collections

• • IN • •

DETROIT

will receive the best attention possible if sent to

The Merchants Credit Bureau, Inc.

The largest collection department in the city devoted exclusively to
RETAIL ACCOUNTS

The benefits accruing in placing your accounts with an organization owned by the merchants, for their protection, are self-evident.

Rates Reasonable • • •

• • • Safety Assured

ADDRESS:

Merchants Bldg.
206 E. Grand River Avenue

Chicago Collections

should be sent to the

Credit Service Corporation

Collection Department of the Chicago Credit Bureau, Inc., and Credit Reference Exchange, Inc.

The Official Credit Reporting Service of the

ASSOCIATED RETAIL CREDIT MEN of CHICAGO

35 South Dearborn St.
Chicago, Ill.

Telephone, Randolph 2400

Credit Reports Collections

Merchants' Credit Concern Uses Interfolded for Collection Letters

Saving in Time 200 Per Cent

HERE is a Speed Stationery installation that is entirely different. It is a six-part Continuous Interfolded set which includes two letters and an acknowledgment used by the Merchants' Credit Association, publishers of the Blue Book.

J. W. Jackson, Manager of the Collection Department of this concern, stated that the saving in time in completing the records over the old method of using loose forms, is at least 200 per cent. The sets are used on a Royal Interfold Form Writer.

The installation, made by S. M. Dillard, is particularly interesting because it is one of the first uses of Continuous Interfolded for form letters.

The first sheet is a collection letter addressed to the debtor owing the account. It bears the letter head of the firm.

The second sheet is the second letter to the debtor when it becomes necessary to follow up the account because of non-payment. Upon completion of the six-part form, letter No. 2 is placed inside of the collection folder which is dated up from five to 10 days pending results of the first letter. If no results are obtained, all that is necessary to get the second letter to the debtor is to fold and mail the addressed duplicate.

The third sheet is entirely blank with the exception of the typing and is perforated so as to make a neat tab giving the complete style of the claim, showing both debtor's and client's name, the date received and the amount of the claim. This is pasted on the face of the collection folder, and filed by dates for automatic follow-up on claim.

The fourth sheet is identical with No. 3 except for color and the final designation which is pasted on the debtor's credit file, making a permanent record for future reference for the benefit of any subscriber desiring information as to the desirability of selling this debtor. The color calls attention to the fact an account

is in the Collection Department against the party.

The fifth sheet is an acknowledgment of the account received for collection, setting out terms on which account is accepted for collection and is mailed to the client forwarding such claim.

The sixth sheet is a cardboard of substance 32, perforated four inches from the top and standard punching on the right. This forms their master card file on the debtor, which is

filed alphabetically and is one of the most important records of the six.

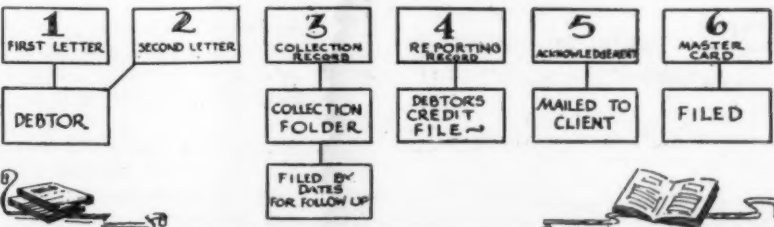
"We have extended your representative (Mr. Dillard) and also the representative of the Royal Interfold the courtesy of bringing any of their prospects to our office to see this machine and this stationery in actual work at any time they see fit," writes Mr. Jackson.

Study this installation carefully. It offers opportunity.

FOR SALE

A well organized Credit Bureau located in California on the Pacific Coast. Future progress unlimited, 180,000 reports on file. Est. 1923. Wonderful collection department. Owner has other interests. Write box 121 "The Credit World" for further information.

15016		15016	
MERCHANTS CREDIT ASSOCIATION		MERCHANTS CREDIT ASSOCIATION	
		"Dependable Reporting & Collection Service"	
		TELEPHONE 3-3151	
		1215 FIFTH AVE., NORTH	
		BIRMINGHAM, ALA.	
		OFFICE OF COLLECTION DEPARTMENT	
15	REPORTING CARD RECORD	MERC	DATE
	COLLECTION FILE RECORD		DATE
<p>WE HAVE OUR</p> <p>1st Class—On the address as given. On each class of \$100 On class line that On all classes above one old or against a or bankruptcy, that On all classes used It is understood of adjustments, unless so</p> <p>BEAR IN MIND that date of closing must be shown</p>		<p>The date called</p> <p>Tell us how to help all con</p> <p>Your no effect but will doubt</p> <p>Local de May be as the c take ma after f satisfac</p>	<p>The above account has been placed with us for immediate collection. If there is any question relative to the correctness of this, please call at our office at once or write your reply on the back of this letter.</p> <p>If the account is correct, we presume you have overlooked it, but now that it has been brought definitely to your attention, we are sure you will appreciate the importance of giving it the immediate attention required. Therefore, send check promptly, using the enclosed envelope for your convenience.</p> <p>MAKE ALL PAYMENTS TO MERCHANTS CREDIT ASSOCIATION.</p> <p>Very truly yours,</p> <p>MERCHANTS CREDIT ASSOCIATION</p>
		PUB	PUBLISHERS OF "THE BLUE BOOK"



WHAT DIMBULA LEARNED

"The Day's Work" is the title of a short story written by Rudyard Kipling. It's about a little tramp steamship, "Dimbula." Upon her completion in the yards of her builders, the boat is christened by the owner's daughter and sets sail from the Clyde to New York.

Perfect in every detail, every part made with the utmost care, she starts her journey in full anticipation of a successful voyage, but alas, the little vessel discovers all too soon that she has not "found herself."

Each part becomes imbued with a feeling that it is more important than all the rest. As the "Dimbula" rides into a storm, the rivets, the stringers, the frames, the deckbeams and the strakes, groan and complain, accusing one another of abuse and mistreatment. Mutiny sets in and the little boat has a hard time of it weathering the storm.

"Steam," portrayed by Kipling as the wise old counsellor of the sea, does his best to talk sense and pride into the "Dimbula," but not until the waves have buffeted and hammered her about unmercifully, creating a fear that she might be sent with her crew and cargo to Davy Jones' locker, is order restored.

With the establishment of harmony come renewed pride and self-respect and the knowledge of COOPERATION. Gradually the different parts, worn and settled by this time, begin working, pulling, pushing and giving together, and finally bring her triumphantly through to her destination.

"Cooperation," a word borrowed from Latin, meaning "working together," is a word which should be written in the consciousness of every individual in an organization, for nothing will defeat the purposes and retard the progress of an organization more quickly than a lack of cooperation.

SPOOF IN ADVERTISING

The Kansas City Better Business Bureau offers the following general recommendations for retail advertising standards:

'No Charge for Credit: The statements 'Buy for Credit at Cash Prices,' 'No Charge for Credit,' etc., mean to the customer just what they say, but advertisers have used them with mental reservations. The statements are not accurate if the prices charged are more than the fair prices of other stores; if discounts from the so-called cash prices are given to actual cash purchasers; if interest or carrying charges are made or if other subterfuges are employed. The accurate practice is to state both the cash and the credit prices.

'Down Payments: The phrase, 'No Down Payment,' or any similar phrase is inaccurate in advertising, if there is any charge for delivery; or any charge for credit investigation; or any charge of any nature before the customer can get possession of the goods advertised.

'Terms: The phrases, 'Terms to Suit Your Convenience,' 'Your Own Terms,' etc., are absurd and meaningless. Stores cannot conduct business profitably leaving credit terms to the discretion of the customer. It is recommended that such terms shall be explicit."—P. F. N.

Of Particular Importance

(Continued from page 17)

Market to a Larger City Market.

6. The Business Attractions of the City.

a. The nature of the leading stores of the city.

(1) Selections of goods.
(2) Delivery, credit, and other services offered.

(3) General reputation on style-goods.

b. The extent to which the city offers a market for the sale and redistribution of goods produced in the surrounding territory.

THE CREDIT WORLD

c. The banking facilities.

7. The Social and Amusement Attractions of the City.

8. The Nature of the Competitions Offered by Smaller Cities and Towns in the Surrounding Territory.

9. The Population of the City.

10. The Distance Which Prospective Customers Must Travel in Order to Reach the Market, and the Psychology of Distance Prevailing in That Part of the Country.

11. The Topographical and Climatic Conditions Peculiar to the City and Its Surrounding Territory.

12. The Kind of Leadership Offered by the Owners or Managers of Various Business Interests of the City.

Most women desire to buy their style goods in a city larger than the one in which they live.



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BOOK REVIEW

SELLING MRS. CONSUMER

By Mrs. Christine Frederick

Mrs. Consumer is a Sphinx no longer. In this book she speaks, with authority. Nothing could profit you more than a long chat with a Mrs. Consumer who "knows her groceries" well—also her clothes, her toilet requisites, her home furnishings, etc.

Mrs. Christine Frederick is "the" Mrs. Consumer and she has produced a monumental book; one might say a consumer encyclopedia. It can hardly help becoming the great standard reference work for all who sell to consumers.

If you sell goods to women, family goods of any kind, buy this X-ray analysis of the why and how of family buying and make money from what Mrs. Frederick discloses. But it for lively reading as well as for reference.

"The consumer is in the driver's seat today," say the economists. The future of business, it is everywhere admitted, lies in closer study of Mrs. Consumer and consumption. "Selling Mrs. Consumer" bristles with vital facts and statistics about consumers—with Mrs. Frederick's penetrating, "market-basket point of view," and her Experiment Station analytical habit to give it sauce and sincerity.

Here it is in the utmost detail and frankness—information which manufacturers, retailers, chain stores, bankers, advertising agents, copy writers, salesmen, and salesmen can profit from every day.

It must surely be clear to you then how rich with value this book of 400 pages is for your purposes. \$4.00.

SELLING BY TELEPHONE

By J. Geo. Frederick

340 pages of Business-like, Usable, Authoritative Material which makes History in the new method of selling. Illustrated, with adaptable system forms, also large folded Keytown Telephone Sales Map.

IV. DEVELOPMENT OF TELEPHONE MERCHANDISING SERVICE IN DEPARTMENT STORES.

26. Special Need in Department Store Selling—27. The Five Types of Out-of-Town Telephone Merchandising Systems—28. Factors Making for Increased Importance

—29. Range of Merchandise Sold by Telephone—30. Function, Range and Practicability of Telephone Selling

—31. Efficiency of Telephone Order Handling—XVIII. COLLECTIONS BY TELEPHONE

126. Advantages of Telephone for Collection—127. Telephone Collection Diplomacy—128. System in Telephone Collection Work—129. Economy in Collections—130. Group Telephone Credit Protection—131. Branch House Credit Work—

These books may be purchased through the National Retail Credit Association.

A Business Reading Course

In the June Issue of the Credit World We Promised You This—
Here It Is

Accounting

Greer—"How to Understand Accounting." Giving a perspective of the different branches of the subject.

Kester—"Accounting Theory and Practice." Volume I. A thorough explanation of fundamental principles.

Kester—"Accounting Theory and Practice." Volume II. Corporation—valuation problems.

Stockwell—"How to Read a Financial Statement."

Stockwell—"How to Read a Profit and Loss Statement."

Gilman—"Analyzing Financial Statements."

Kraft-Starkweather—"Analysis of Industrial Securities."

Berrigan—"Elements of Accounting."

Bassett—"Accounting as an Aid to Business Profits."

Bang—"Industrial Accounting for Executives."

Beach—"Twenty 20-Minute Lessons in Bookkeeping."

Kimball—"Industrial Economics."

Knight-Smith—"Economics," Volume I and II. One good book on Economics, which is the basic subject.

Finance and Banking

Lough—"Business Finance." Covering corporation capital finances and their administration.

Jamison—"Finance." Covering the current financing operations of a growing concern.

Westerfield—"Banking Principles and Practice." Covering the principles of money and credit as well as banking.

Kniffin—"The Business Man and His Bank."

Investment

Lincoln—"Testing Before Investing."

Dice—"The Stock Market."

Insurance

Mowbray—"Insurance."

Ackerman—"Insurance."

Management

Tead and Metcalf—"Personnel Administration."

Tead—"Human Nature and Management."

Diemer—"Factory Organization and Administration."

Schell—"Technique of Executive Control."

Morrison—"Twelve Principles of Efficiency."

Merchandising

Wyman—"Expert Merchandising."

Letter Writing

Lockley—"Principles of Effective Letter Writing."

Beckman & Held—"Collection Correspondence and Agency Practice."

Picken—"Credit and Collection Correspondence."

Clapp-Nugent—"Art and Business of Good Writing."

Fottler—"How to Write a Business Letter."

Gardner-Aurner—"Effective Business Letters."

Clapp-Nugent—"How to Write."

Research

Saunders & Anderson—"Business Reports."

White—"Market Analysis."

Riggleman—"Graphic Methods for Presenting Business Statistics."

Psychology

McClure—"How to Think in Business."

Snow—"Psychology in Business Relations."

Craig Carter—"Personal Leadership in Industry."

Lord—"A Plan for Self Management."

Advertising

Hall—"Advertising Handbook."

Picken—"Principles of Window Display."

Herrold—"Advertising Copy."

Hall—"Mail-Order and Direct-Mail Selling."

Buying

Harriman—"Principles of Scientific Purchasing."

Budgeting

Burere and Lazarus—"Applied Budgeting."

White—"Forecasting, Planning and Budgeting in Business Management."

Business Law

Conyngton—"Business Law."

Hoar—"Conditional Sales."

Business Organization

Maynard-Weidler—"An Introduction to Business." The economic and industrial structure.

Galloway—"Office Management."

Robinson—"Fundamentals of Business Organization."

Credits and Collections

Chapin—"Credit and Collection Principles and Practice."

Beckman—"Credits and Collections in Theory and Practice."

Distribution

Maynard-Weidler-Beckman—"Principles of Marketing."

Nystrom—"Economics of Retailing."

Beckman—"Wholesaling."

Economics

Hunt—"An Audit of America."

Shearman—"Practical Economics."

Scot-Howard—"Influencing Men in Business."
Gowin—"Developing Executive Ability."

Selling

Ivey—"Salesmanship Applied."
Hall—"Handbook of Sales Management."

Speaking

Hoffman—"Public Speaking for Business Men."
Burtis—"Everyday Public Speaking."
Clapp-Kane—"How to Talk."

Miscellaneous

Everett—"Keeping Fit by Easy Exercises."
West—"History of the American Nation."
Lee—"Business Ethics."
Foth—"Trade Associations."

ADDITIONAL BOOKS FOR READING COURSE

(Continued from June issue)

Group VIII—Europe in the Seventeenth Century

Breasted and Robinson, vol II, ch. 15.
Faguet, sections on the 17th century.
La Rochefoucauld, "Reflections."
Moliere, "Plays." Esp. Tartuffe, The Miser, The Misanthrope, The Bourgeois Gentleman, The Feast of the Statue (Don Juan).
Bacon, F., "Essays." All. (Everyman Library.)
Milton, J., "Lycida, L'Allegro, Il Penseroso, Sonnets, Areopagitica, and selections from Paradise Lost."
Williams, bk. II. chs. 9-13.
Hoffding, sections on Bacon, Descartes, Hobbes, Locke, Spinoza, and Leibnitz.
Hobbes, "Leviathan" (Everyman Library.)
Spinoza, "Ethics," and "On the Improvement of the Understanding." (Everyman Library.)
Faure, vol. IV, chs. 1-4.
Gray, chs. 10-13.

Group IX—Europe in the Eighteenth Century

Breasted and Robinson, vol II, chs. 16-21.
Wells, chs. 26-7.
Faguet, sections on the 18th century.
Sainte-Beuve, "Portraits of the 18th Century."
Voltaire, Works, 1 vol. ed. Esp. Candide, Zadig, and essays on Toleration and History.
Rousseau, J. J., "Confessions."
Taine, H., "Origins of Contemporary France." 6 v. vol I-IV.
Carlyle, "The French Revolution." 2v. Everyman Library.)
Taine, "History of English Literature"; bk. III, chs. 4-7.
Boswell, Life of Samuel Johnson, 2v. (Everyman Library.)

Fielding, H., Tom Jones (Everyman Library).
Sterne, L., Tristram Shandy (Everyman Library).
Swift, J., Gulliver's Travels (Everyman Library).
Hume, D., "Treatise on Human Nature." 2v. (Everyman Library) Esp. bks. II and III.
Wollstonecraft, Mary, "Vindication of the Rights of Woman."
Smith, Adam, "The Wealth of Nations." 2v. (Everyman Library.) Selections.
Williams, bk. II, chs. 14-15.
Hoffding, sections on the 18th century.
Faure, vol. IV, chs. 5-6.
Gray, chs. 11-12.

Group X—Europe in the Nineteenth Century

Breasted and Robinson, vol II, chs. 22-28.
Wells, chs. 38-9.
Taine, "Origins of Contemporary France." vol. IV, pp. 1-90.
Ludwig, E., Napoleon.
Brandes, G., "Main Currents of 19th Century Literature." 6v.
Goethe, "Faust."
Eckermann, "Conversation with Goethe."
Heine, Poems, Trans. Louis Untermeyer.
Taine, "History of English Literature," bks. IV-V.
Keats, Poems.
Shelley, Poems.
Byron, Poems.
Faguet, sections on the 19th century.
Balzac, "Pere Goriot."
Flaubert, Works. 1-vol. ed. Esp. Mme. Bovary and Salammbô.

THE CREDIT WORLD

Hugo, "Les Miserables."
France, Anatole, "Penguin Isle."
Tennyson, Poems.
Dickens, "Pickwick Papers."
Thackeray, "Vanity Fair."
Turgeniev, "Fathers and Children."
Dostoevski, "The Brothers Karamazov."
Tolstoi, "War and Peace."
Ibsen, "Peer Gynt."
Williams, bks. III-IV.
Darwin, "Descent of Man."
Hoffding, sections on the 19th century.
Buckle, "Introduction to the History of Civilization in England." Esp. Part I, chs. 1-5, 15.
Schopenhauer, "Works." 1-vol. ed.
Nietzsche, "Thus Spake Zarathustra."
Faure, Vol. IV, chs. 7-8.
Gray, Chs. 13-17.

Group XI—America

Beard, C. & M., "The Rise of American Civilization." 2v.
Poe, "Poems and Short Stories."
Emerson, "Essays."
Thoreau, "Walden."
Lincoln, "Speeches and Letters."
Whitman, "Leaves of Grass."

Group XII—The Twentieth Century

Breasted and Robinson, vol. II, chs. 29-30.
Wells, chs. 40-41.
Fay, S., "Origins of the World War."
Rolland, R., "Jean Christophe." 2v.
Ellis, H., "Studies in the Psychology of Sex," vols. I, II, III, VI.
Adams, H., "The Education of Henry Adams."
Bergson, "Creative Evolution."
Spengler, O., "Decline of the West." 2v.

Told by Mr. Frank Batty in His Speech at the Convention

In the same year that Columbus discovered America, there was enacted in the City of Florence, Italy, one of the most remarkable scenes in history, a scene which to my mind has its counterpart in our land today:

Lorenzo, the Magnificent, the Prince of Florence, lay on his deathbed. Before he passed on into the great Eternity, he felt he must receive absolution, but at whose hands? There was but one he desired, Savanorola, the friar who lived in the monastery on the hill. Savanorola was sent for and reluctantly he went, knowing full well the character of the man with whom he had to deal. Arriving at the bedside of the dying prince, he said, "Before I grant you absolution, three things are necessary." What things, said the monarch? Savanorola said: "First, you must confess to me your fullest faith in the Diety." "I confess," said Lorenzo. Secondly, "You must restore all your ill-gotten goods." There was a long pause, but again the Prince assented, "I will restore." "Then," said Savanorola, "third and last," and drawing himself up to his full height as if transfigured, "Third and last, you must restore liberty to the people of Florence." There was a long dreadful silence in that death chamber, and finally Lorenzo turned his face to the wall and died without having granted the demand. Not long after this Savanorola was publicly hanged, his body burned and the ashes cast in the river Arno which flows through the streets of the city. But historians record this: That six months later the government was forced to see that the Republic could only be saved by adopting the very policies advocated by the friar.

Instilling Credit Character at College

Purdue University, one of the best known engineering schools in this country, has placed itself on record as an educational institution favoring the teaching of credit obligations.

Its student body comes from countries all over the world, its campus resembles the meeting place of many discordant and unintelligent tongues, but every man and woman enrolled there for a degree knows the law concerning credit and abides by its restrictions.

The credit investigation problem is quite simplified—if a regularly enrolled student for a degree—there will be no graduation for the man or woman who neglects to conclude all obligations prior to commencement. The University has announced that as the law and adheres to the ruling no matter how harsh it may seem in individual cases.

This policy has many attributes. It has encouraged trade, it has proved a great convenience in cashing small checks for student funds, and it has taught the student body that the term credit means a *cooperative contract between two parties*. Such lessons as these taught in the plastic age of our university youth should take root and be a basic policy for future life.

In these pacific times there is a story worth reading from the age old traditions of the military profession throughout the world. Just as in our own army commissioned officers are acknowledged gentlemen, they have a rigid code to follow in their respective financial matters.

Credit is extended to every officer as long as he shows his appreciation for that courtesy and can successfully handle his obligations. When, due to the various misfortunes which befall officers in peace time, it is not possible to reestablish their credit, tradition takes a hand. The army cannot continue to harbor those individuals. They must and do get out. Disgrace is the final entry on their service record.

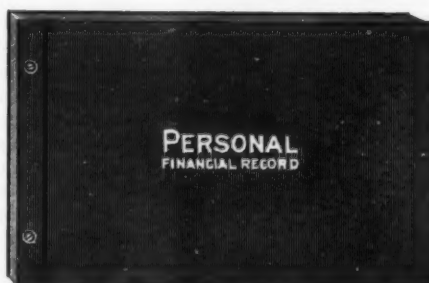
To the officer who dedicates his life to the professional study of arms there is nothing so dear as his desire to keep his record stainless. That means an absolute and clean bill of credit. There is not a compromise possible. Once out of the army because of financial difficulties there is no recall. The bridges have been burned. To the military profession credit is an honorable adjunct of existence and traditionally appreciated as such.

Little Murray Barnhill

College Publishers' Representative,
conducted a survey regarding student credit conditions which indicates that students are better than the average.

College	% Charge Carried by Students	No. of days Taken to Discount Bills	% Bad Accounts	Approximate Gross Done With Students Per Yr.
Cornell	63%	80 days	1/2 of 1%	\$50,000
Princeton	76%	60 days	1/2 of 1%	60,000
Vassar	66%	57 days	1/2 of 1%	10,000
Dartmouth	40%	60 days	1/2 of 1%	30,000
Stanford	38%	48 days	1/2 of 1%	25,000
Wellesley	45%	30 days	1/2 of 1%	5,000
Average (Approximate)	55%	56 days	1/2 of 1%	\$30,000

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ORDER FROM

NATIONAL RETAIL CREDIT ASSOCIATION

What is Instalment Selling Doing to Us

(Continued from page 19)

Nystrom's estimate of \$35,000,000,000 for our total retail trade in 1923 and the current estimate of \$45,000,000,000 for 1929, we may judge that instalment sales were a trifle over 12 per cent of all retail trade in 1923 and a fraction over 13 per cent of total retail sales in 1929.

We are forced to conclude that instalment selling has been growing naturally and normally along with the aggregate volume of retail trade during the past six years at least. How, then, shall we explain this great public discussion of instalment selling in late years? The sponsors of finance companies handling instalment paper claim that when several thousand stores began to advertise the Ten Payment Plan (a so-called instalment plan) for the sale of clothing the feeling was aroused in the public mind that the instalment business was going too far.

But many of us believe that the widespread discussion of instalment selling since 1923 has been stimulated to a large degree by the finance companies themselves. These finance companies increased from 125 in January, 1923, to over 1,000 in December, 1924, and, as the importance of instalment selling in the automobile field began to decline after 1923, the finance companies made strong efforts to extend their business to other lines. Since December, 1924, the National Association of Finance Companies has issued a brief, bulletin, circular, document or statement of some kind on an average of once a week.

Instalments and Prosperity

2. Instalment selling is not the cause of our recent great prosperity. It has, it is true, helped to bring about in certain industries large scale production, stability of operation, lower prices, and better quality of products. This has been true in the automobile industry which is responsible for roughly one-half of all retail instalment sales. Other durable goods of relatively high value that are well-suited to instalment selling are: real estate and property improvements, furniture, washing machines, musical instruments, sewing machines, vacuum cleaners, stoves and ranges, mechanical refrigerators, jewelry store goods, tractors, and farm machinery. But the list is not long, and we must not forget that instalment selling is naturally suited to so few lines of industry and its total aggregate is such a small part of our retail trade that it cannot be looked upon as a major factor affecting business prosperity.

But if instalment selling has been a factor of real importance in the prosperity of certain lines, business men in other lines not adapted to instalments have professed to be hurt by its development, claiming that consumer purchasing power has been diverted from their lines to instalment houses and that their open accounts have been slowed down by clients buying too heavily from instalment firms. It is no doubt true that instalment selling has led consumers to spend a larger part of their incomes for durable goods of high value (like automobiles and the other items just enumerated) and a smaller part for ephemeral goods of low value or so-called "necessaries."

But the consumer is the final judge, and if he chooses to put small sums into instalments for the purpose of obtaining durable articles of high price, which he feels are representative of a higher standard of living, instead of spending the small sums for low-priced goods and services, the individual business men who are hurt must take the consequences. As to the slowing down of open accounts due to consumers loading up heavily at instal-

ment houses and meeting the instalments while allowing their open charge accounts to run, the responsibility falls squarely on the credit manager to realize that consumers pay first of all those who insist on being paid and to make it known that the open accounts of his house must be paid and must be paid promptly.

Not a Major Cause of Depression

3. Instalment selling is not a major cause of business depression. It is having but slight effect on the depth and length of this present recession in business. This is true for four reasons.

In the first place, there is not, as if often assumed, a tremendous mass of "frozen credits" in the form of unpaid instalment accounts to be liquidated. Even if we take Ayres' generous estimate (which is perhaps three-quarters of a billion too high) that about \$6,700,000,000 of instalment paper was created in 1929, there would have been only \$2,900,000,000 outstanding at the end of the year. This would be 3.3 per cent of our national income and only 5 per cent of our total retail trade—not a very large amount of indebtedness to be liquidated.

Second, jobless workmen cannot pay instalments of course, but the relative number of unemployed is not so large as we usually assume in pessimistic times like these. The great majority of workers remain at work even during great depressions. The greatest depression of modern times, that of 1921-22, threw 3,653,000 men out of employment, according to the Brookmire estimates, but 39,508,000 or 91 per cent of the 43,161,000 remained at work. By 1922, 94 per cent were employed and by 1923 employment was full. Our present depression is quite mild compared to that of 1921-1922.

Third, only a portion of the unemployed have instalments to meet. The recent report of a survey on instalment buying in five major cities (New York, Chicago, Boston, Baltimore and New Orleans) made by the United States Department of Labor shows that 41 per cent of the families surveyed were paying for one or more articles by instalments. If this survey may be taken as representative of the country as a whole, it appears that roughly only two out of every five families have instalment payments to meet during the depression.

Fourth, there are some theoretical considerations to be taken into account. Depressions do not descend upon us suddenly. The present depression developed and spread slowly, giving both credit men and consumers time to check the volume of new instalment sales and to settle down to the speedy liquidation of outstanding indebtedness, which was not menacing in amount.

Whether credit managers really did begin last fall to exercise a stricter control over new instalment business and whether the indebted workers, seeing other workers losing jobs and fearing for their own, began to restrict their buying on instalments and to work harder to keep their jobs, I am not in a position to say. As I stated, these are theoretical considerations. But they are theoretical possibilities which must be transformed into facts by our credit men, if the credit fraternity is going to accept the responsibility for its share in the task of handling business depressions.

Summary

Now let us briefly summarize this first part of the paper as follows: First, it is hard to sympathize wholeheartedly with the fear felt in many quarters over the supposedly abnormal and menacing recent growth of instalment selling when the best available statistics indicate that since 1923 the instalment system has been growing at practically the same rate as our total retail trade. Second, instalment selling has been an important influence in bringing prosperity to certain lines of business activity

(namely, the production and distribution of durable goods of relatively high value) to which it is peculiarly suited, but its aggregate volume is so small and its scope of application so restricted that it cannot be looked upon as a major factor in our national prosperity. Third, delinquencies in making instalment payments will be greater, defaults on instalment obligations will be more frequent, and repossessions will be more numerous than usual this year, but the existence and operation of our instalment system will not *importantly* affect either the depth or length of this present business depression.

II

Effects Upon the Consumer.

Now, what about the effects of instalment selling on the consumer? First of all, by helping to bring about large scale production in certain lines, instalment selling has enabled consumers to obtain certain articles in better qualities and at lower prices. The cash customer has undoubtedly received such benefits and the credit customer probably pays no more than he would if fewer of these articles were produced to be sold for cash only at necessarily higher prices. Both cash and credit customers seem to have benefited through the introduction of instalment merchandising in the automobile industry.

Second, instalment selling no doubt increases the happiness and satisfaction of many consumers in making it possible for them to secure useful and enjoyable articles of high value which they never would have obtained or which they would have secured only after years of waiting. Instalment selling seems to act upon many as a kind of forced saving, for some who will not voluntarily set aside savings to make possible the purchase of a high-priced article in the distant future will meet the instalments if the coveted merchandise is immediately put into their possession. The instalment buyer pays more than if he chose to wait, save and pay cash, but he evidently feels that the happiness and satisfaction arising from immediate possession and use of his purchase outweigh the carrying charges.

Third, it is theoretically possible for instalment selling to be so administered by credit men as to contribute to the character, capacity and capital of the consumer. The instalment system with its periodic payments may be used to educate the consumer, who is called upon to make those payments, to budget his income and expenses and to plan ahead; it may be used to make the instalment buyer a better financial manager if well-directed by competent credit men. The instalment system may cause its buyers to work harder, steadier, and more willingly.

We have seen this happen in the instalment buying of homes, and home ownership has always been advocated strongly because when a man obligates himself to pay for a home, he settles down, works harder and steadier, and becomes more stable and conservative. He is spurred on by the prospect of ultimately owning his own home—a piece of property, a durable economic good. If this is true in the case of the home, may it not also be true in the case of the furniture of the home—and of the washing machine, the vacuum cleaner, the sewing machine, the mechanical refrigerator, the stove or range, and other durable goods of relatively high value? These theoretical possibilities of instalment buying have not worked out universally in practice, as you well know, but they do seem to reside in the system—waiting for credit men to bring about their realization.

III

Some Imperfections in the Instalment System.

It becomes necessary in an impartial analysis of the instalment system to call your attention seriously to the

imperfections which still exist in this method of merchandising.

This is for two main reasons. First of all, a great many credit men seem to have sunk back into a state of blissful indolence and indifference as regards to the functioning of the instalment system, feeling no doubt that it is operating quite satisfactorily or at least as perfectly as possible. This is far from the truth. Second, the never-ending stream of statements, circulars, and articles issued by the sponsors of instalment selling pass lightly over the flaws in the system and leave the impression that it calls really for no serious attention nor for any determined, intelligent effort to better it.

For example, one of the leading sponsors of the instalment system states in a widely-circulated magazine article: "It does seem that improvident buying on the instalment plan must be rather rare considering that one single case of a man who pledged himself to pay out more than his total income has done duty in uncounted speeches and magazine articles in the last two years." But cases of improvident buying on the instalment plan are not so rare; they are in my judgment very much more frequent than they should be.

There are quite a few improvident instalment buyers in one city which I have studied rather closely and for which I have some detailed figures—Chattanooga, Tennessee, an industrial city of a little over 100,000 population. Our retail credit managers were questioned at my request by our Bureau as to their opinion on over-buying. Eighty-four per cent of those replying were of the opinion that twenty-five per cent or more of our people have monthly bills and obligations larger than their monthly incomes and that instalment selling helped much to bring about this over-bought condition.

Of course, these are only opinions, but here are some highly interesting facts. During the period from January 15, through June 6, 1930 (about five months) a group of furniture dealers doing about 60 per cent of the business reported to our Bureau 2,353 repossessions with a total amount owing at time of repossession of \$195,446.84. For the period from March 21 through June 6, 1930 (eleven weeks) thirty automobile dealers doing approximately 80 per cent of the business reported repossessions of 494 cars with a total amount owing of \$92,617.69. A separate card is maintained in file at our Bureau for each family repossessed and we find that: even with but part of the firms in only two of the various instalment selling lines reporting (one line reporting about five months and the other for only eleven weeks) already 2,794 families or roughly 10 per cent of the families in Chattanooga have been repossessed.

Instalment Bad Debt Losses Too High

These figures seem to indicate that there is quite a bit of improvident buying transpiring under the instalment system. Of course, we must expect a certain amount of over-buying under any plan or system. But how much? Is there no more over-buying in the instalment system than there should be in order to call the system perfectly satisfactory? My belief that the over-buying is excessive is not based simply on repossession figures but is influenced by Part I of the National Retail Credit Survey covering 6,832 establishments whose total net sales (cash, credit, and instalment) in 1927 exceeded \$2,500,000,000.

The survey shows that: for department stores, the average ratio of bad debts to instalment sales was more than twice as great as the average ratio of bad debts to open credit sales; for furniture stores, seventy-five per cent greater; for men's and boys' clothing, over twice as great; for dry goods, seventy-five per cent greater; for women's, children's and infants' wear, over seven times as great; for fur goods, fourteen per cent greater;

for general clothing, over eleven times as great. This exhausts the list surveyed.

These figures, I submit, show that in a great many lines of retail trade there is far more over-buying due to the instalment system than there should be. *For not a single keen student of credit, not one competent credit manager, will entertain for a minute the idea that there must necessarily be a higher bad debt loss ratio in instalment credit than in open credits.* A detailed examination of the statistics in the fifty-two page Survey of the Department of Commerce indicates the truth patent to every trained credit man: that instalment selling need not be more productive of loss than selling on open account. Although the bad debt loss ratio was against instalment selling in every line surveyed, I find many groups of stores, arranged as to volume or as to sections of the country, that are holding instalment losses down to or even below open account losses.

This over-buying, these inordinately high bad debt losses are a challenge to every responsible credit manager; they constitute a very real imperfection in the instalment system. I accept the system in its general outlines as good—its benefits far outweigh its evils—certainly I would not be so absurd as to “view it with alarm.” But I insist that *the system cannot be accepted as functioning satisfactorily until its over-buying and its bad debt losses are brought down to the level of the open account system.* And I protest against the “pollyanna” propaganda and the over-enthusiastic raptures of those who would have us believe that the system is working perfectly and needs no attention from credit men.

Sound Principles to Follow

The experts among our credit managers have already worked out practical rules to make instalments as safe as open accounts. They know that: 1. The smaller the down-payment, the larger the losses; 2. The longer the credit term, the greater the losses; 3. The down-payment must more than cover the depreciation which occurs when the article is transferred to the customer; 4. The amount of the payments made by any date in the term of the instalment contract must more than cover the depreciation undergone by the article at that date; 5. A really careful credit analysis must be made before delivering the goods.

In brief, more losses occur in extending instalment credit than open account credit only when the instalment credit manager is ignorant of the scientific technique of his job, or when the boss over-rides the sound judgment of the trained credit man.

Instalment Borrowing

Now, I wish to direct your attention to a practice closely akin to instalment selling of merchandise, indulged in by a substantial percentage of people. I refer to the widespread practice of borrowing money from high-rate small-loan companies, to be repaid in instalments. This is, of course, just another species of instalment selling or instalment buying, and to some extent it has been inspired by the instalment selling of merchandise.

Frequently individuals over-buy because of the opportunities offered by instalment selling and, finding their various monthly bills and obligations larger than their incomes, they borrow from the small loan companies. But such borrowing often leads to new and larger monthly obligations and the borrowers occasionally find themselves hopelessly involved. We find cases from time to time of individuals who, in addition to owing several instalment houses, have borrowed up to three hundred dollars from three, four or even a half-dozen separate small-loan companies.

According to the Twentieth Century Fund Report estimates appearing in the New York Times of April 27, small loans to American workers have reached the interesting annual aggregate of \$2,600,000,000 (carrying interest rates ranging from 1 per cent per month to as high as 240 per cent per annum) with interest charges of approximately \$780,000,000.

The detailed study I have made with the cooperation of our Bureau in Chattanooga into the bankruptcies among wage earners and salaried workers in this city during the past year shows that 54.3 per cent of the bankrupts were owing small-loan companies. Of those bankrupts owing any small-loan companies, 51 per cent owed two or more. I have no way of knowing whether the percentage of the entire working population of Chattanooga owing small-loan companies is smaller or larger than the ratio for bankrupts. But another of our studies made this spring on the loan companies of the city shows that sixteen small-loan institutions of various types (not including fourteen pawn brokers) are lending \$3,445,000 annually in this city. This amount is equal to nearly \$30.00 for every man, woman and child in our population, and it carries interest charges of probably \$1,055,000. Here is a development in instalment methods which merits the careful and earnest scrutiny of credit men.

Some Challenges to Credit Men

In conclusion, let me say that in order to gain a more perfect control over the instalment system of merchandising goods and lending money, to fulfill your responsibility of protecting your house, you must accept with intelligence and enthusiasm three challenges:

1. Acknowledging without alarm the fact that the instalment system is here to stay, but keenly realizing that its operation is far short of satisfactory as judged even by open credit standards, you must, by real, honest study of the technique of instalment credit management, improve your mastery over the instalment system.

2. Knowing that over-buying can only be reduced through cooperative action by credit grantors, you must enlarge your local associations and increase your efforts toward stronger and more thorough cooperation among all members.

3. Realizing that over-borrowing may prove costly to both the small-loan houses and to your own firm, you must see to it that loan company credit men are brought into cooperative fellowship either through direct membership or through membership in a loan company group in your local association.



On the Cuff for a New Roof

(Continued from page 13)

four different plans for dealers, including a wholesale arrangement to enable the dealer to carry a stock of burners at all times in his own place of business, and a retail arrangement for the assistance of customers who prefer, for one reason or another, to pay “something down.” The Standard Sanitary Manufacturing Company of Pittsburgh is now engaged in a test campaign, limited to a few cities, the results of which will determine largely its future policies as to the merchandising of its plumbing fixtures on an instalment basis. The Johns-Manville Corporation, too, has recognized the necessity of offering a plan of deferred payment in the sale of its products.

Standardization in Financing Commodities Other Than Automobiles

By R. Schuppe

General Service Manager, Citizens Finance Company, St. Louis, Mo.

An address before the Sixth Annual Meeting of the National Association of Finance Companies

NEARLY everyone was interested last fall in the market action. Many people suffered losses and there are many people today who still do not know whether they have taken all their losses. Those investors who bought substantial stocks outright, such stocks as American Telephone and Telegraph, General Electric, Westinghouse Electric and other substantial stocks and put them away in their strong boxes have nothing to worry them, but those who speculated and bought stocks on a thin margin have much to worry them. Speculating on a thin margin is not a safe, business-like method. The financing of installment sales by unsound and unbusiness-like methods is equally unsafe and dangerous.

By standardization of procedure is meant standardization of methods which are safe, sound and business-like. This subject is of interest and vital importance to finance companies because it is the answer to a satisfactory basis for financing of commodities other than automobiles. I purposely omit automobiles because that is the one article being financed today in any appreciable amount on a reasonably scientific basis. We in the finance business are all interested in the adoption of safe and sound methods in our business because only these will eliminate the evils attending financing of installment sales by loose and unbusiness-like methods.

Many present day methods of financing of commodities other than automobiles may be criticized. I do not mean that we all endorse and follow these methods but they are adopted by many finance companies and we find them working as a hinderance to the adoption of better methods. These methods are in many cases demanded by dealers because they are easy and offer little sales resistance and are exceptionally attractive to a certain class of the purchasing public. Let us see what is their nature. This can be stated in a few words: down-payments of only a small amount such as \$5.00 to \$15.00 ranging from 3% to, in some few cases, 10% of the selling price; time limit extending to 18 and 24 months or longer; no dealer reserves or only a small reserve; no minimum charge; payments in many cases being collected by the dealers. I am sure that there is no one attending this convention who does not agree that these practices are unsound and unbusiness-like.

We all agree that these methods are wrong but how did they originate and under what conditions? The fact that they are present in no way endorses their soundness. If we can determine how and why they

originated we can more easily determine whether or not they may be corrected. To know this origin we must know people. Business is based primarily on human desires and the human element is the fundamental consideration in business. People desire things and the purpose of business today is to satisfy these desires. Always when there is a new idea or a new business (and installment financing on a vast and diversified scale is comparatively new), that business must consider people and what they are thinking about. Let us see what people have been thinking and doing, what their development has been during the past few years—during which period installment financing has also developed. In the past few years many things have happened to change people. People have changed because world practices were changing. Formerly their field was restricted—their world was small. It was confined to the scope of their front window; to their own city or at the most to their own state. People were comparatively static and conservative in that their views and desires were fairly limited. But then events happened in rapid fire succession. The World War took hundreds of thousands of men from their back yards across the sea and to foreign nations; the radio was developed, which brings news not only from neighboring cities, neighboring states, but from neighboring nations as well, at the moment it occurs; the automobile has taken people at their will to the country sides thousands of miles away; aeroplanes have enlarged the scope of human endeavor to another sphere—the atmosphere; the motion pictures and now the talkies have done much to expand the views of people. But what has this to do with methods of installment financing? Just this—that these same people who were changing so rapidly had many new things to desire. They are no longer conservative and static. All these things have made them dynamic, optimistic and restless against many rules and restrictions. This new imagination, these expanding attitudes, this optimism are the spirit of the times. People of this type and in such a period can very easily run amuck and become unreasonable in their demands on business. This is just what has happened. Dealers and merchants have catered not only to the demands but even the whims of this new people. It was the easiest way and the way of least resistance. And these whims and demands have resulted in ridiculously low down-payments, unreasonably short time limits and other unfavorable factors. Business while primarily instituted to serve the needs of people

must however be the final judge of what methods are best. Every new development must pass through these stages of trial and experiment until satisfactory standards are found. It is experience which teaches.

Is it any wonder that questionable methods developed during this unprecedented period of expansion, this period of speed and revolutionary new ideas? We all have worshiped at the shrine of speed, volume, optimism and unrestraint. All this new development is commendable. It is progress itself and must be fostered. But now it is high time for us to tarry awhile and step aside from the mad whirl and consider well what methods should be standardized. We must find methods which will serve best both consumer and manufacturer. Business must weigh well the methods and adopt them only if they are sound.

Methods which were developed during these trying conditions were almost emergency measures and as such may be corrected.

I have attempted to show what the unsound practices today are and also to show how these practices developed. If we say that these practices are unsound and would correct them, then we must have some idea of what might constitute proper standards. Let us arrive at some idea of what these might be.

The down-payment should approximate the initial depreciation on the merchandise, should create a sense of ownership in the buyer, should be large enough to cause the buyer to suffer uncomfortably in the event of default, should be large enough to offset any anticipated reduction in price and should approximate the dealers gross profit. A down-payment sufficiently large to conform with these requirements is a protection not only to the finance company but to the dealer and purchaser as well. It protects the dealer from excessive reposessions and it keeps a purchaser from buying something which he probably should not have if he cannot make a down-payment conforming to these requirements. The down-payment should approximate the initial depreciation because of the fact that theoretically the customer's unpaid balance should not be more than the value of the article itself. It should be large enough to create a sense of ownership so that the customer will not allow a repossession, and should be large enough to cause him an uncomfortable loss in the event of default, because if such is the case he will make every effort to prevent default. The down-payment should be large enough to offset any anticipated price reduction by the manufacturers because if this is not true it might be possible for the purchaser to buy a new and probably improved model for less money than he owes on the one he did buy. It should approximate the dealer's gross profit because it is extremely poor business for the finance company to finance dealers' profits. I hope that it is needless to say that the down-payment regardless of its other qualities should always be more than the salesman's commission. In any case in which the salesman is paid a commission at the time the so-called sale is made, if the commission

is greater than the required down-payment, then it is money in the pocket of the salesman to advance the down-payment himself. Of course, sales of this sort within a very short time always cause trouble. As ridiculous as this may seem, I am only mentioning it because it is practiced to a considerable extent.

Payments should not extend over too long a period. The equal monthly installments should never be less than the estimated progressive depreciation of the merchandise. The time limit, I believe, in practically all cases should never exceed 12 months. On commodities which depreciate rapidly or have a large factor of obsolescence the time limit should be short—6, 8 or 10 months. This is especially true in the case of radios which are constantly being improved and developed. Major improvements render previous models obsolete. If the time limit is too long, resulting in small installments, and in addition, the down-payment has been too small, then the purchaser does not have a sufficient equity in an obsolete model to urge him to retain it.

The finance charge is generally a percentage of the unpaid balance. In the financing of inexpensive articles it will be found that the percentage of the unpaid balance is only a nominal amount. For instance—if an article shows an unpaid balance of \$50.00, an 8% rate applied results in only a finance charge of \$4.00. I believe there is no finance company which can handle such an account on that basis at a profit. Rates may be fixed on a percentage basis, but there also should be a minimum charge for small accounts and this minimum charge should be enough to approximate at least the cost of handling the account.

Dealer reserves should be set up and should never be less than 10%. A reserve which is represented by cash withheld from the dealer gives this dealer a real interest in every account. It urges him to follow up collections. This reserve is helpful to the finance company in that it creates an account to which any losses which are not taken up by the dealer may be charged. This reserve should be paid to the dealer only after each individual contract has been paid in full and no remittance of this reserve should be made to the dealer unless his reserve is equal to or more than the delinquencies on the contracts which he has sold the finance company. No interest should be paid on dealer reserves because the usual rate which is established by the finance company does not allow for such an interest item. If interest is to be paid on dealer reserves then the finance charge itself must be increased enough to allow for this interest item. I believe that dealer reserves should not bear interest.

Who should collect the installment payments? All installments should be paid directly to the finance company. The finance company has purchased the installment contract and it is their property and the proceeds from the installment contract are the property of the finance company and as such should be paid directly to the finance company by the purchaser of the commodity. Most irregularities develop from the collections made by dealers. Unscrupulous dealers resort to practices which are

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difficult to detect until it is too late and the finance company has suffered a loss. There is no sound reason for dealers making the collections and then remitting to the finance company. I urge you in all cases to have installment payments made directly to the finance company.

Just a word in regard to floor planning or as it is sometimes called—wholesale financing. I heartily disapprove of floor planning as commonly practiced. If a commodity may be financed on the wholesale plan through a bonded warehouse, this may be satisfactory. However, the ordinary method of wholesale financing, which allows dealers to display the commodities and to distribute these commodities for demonstration, is dangerous. There is no real safeguard for the finance company. The only protection a finance company has is constant vigilance and frequent checking of the items financed. Some of the most glaring irregularities which have occurred in the finance business have resulted from wholesale financing. If a dealer has not sufficient working capital or local credit to finance his own stock in trade, then it is extremely doubtful if he should be in business. I know of no safe, business-like method by which floor plan financing may be handled, with the exception of the method which uses bonded warehouses.

Sound installment financing has as its prerequisite sound installment selling. Merely because an article has been sold on the installment plan is no reason for it being financed by a finance company. The essentials of sound installment selling are the same as those for sound installment financing and these must be present if a finance company is to handle the account on a satisfactory basis.

Installment selling and financing play such an important part in industry today that it behooves everyone interested in the movement to constantly strive for the standardization of sound principles of installment selling and financing. Safe, sound business-like methods may be standardized by the authority and general consent of finance companies themselves and only these methods should be adopted because they are best for business and the people served by business.

I urge you all to endorse only sound methods. I urge you to adhere to the principles of sound installment financing in the financing of all commodities. Those companies which do will stand the test to which installment selling and financing is being subjected. On November 17 last the Financial Editor of the *New York Times* stated that the system of installment selling must face a test. This also means that installment financing must face a test.

Toronto Convention

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possibilities of reducing the time open accounts remain uncollected, by insisting that customers obtain small loans to keep their credit good. Too many of the credit men look upon the small loan company as a competitor for the consumer's dollar, preferring to pay the enormous charge of commercial collection agencies rather than to see their customers divert part of their income to meet the much more reasonable charge of the personal finance companies.

Campaign of Education

However, we must applaud with enthusiasm the preparations under way by this great national organization which look toward a program of advertising and publicity to educate consumers in the same use of credit. After all, problems of the retailer and of the personal finance companies can only be solved through the cooperation of the consumer and his intelligent use of this great modern asset.

The campaign of education which will probably be launched early next year should have our most enthusiastic cooperation. It is to be under the direction of the National Retail Credit Association's new director of public relations, Frank C. Hamilton, who is attached to the national association headquarters at St. Louis and who, at Toronto, outlined his plan for making the public credit conscious. Plans for credit control both through education, and through exchange of credit information by the National Retail Credit Association and by the American Association of Personal Finance Companies, need to be effectively correlated. We are all dealing with the same public and we are concerned with the consumer's solvency and economic stability. Friendly contacts between us should early develop into joint conferences looking toward mutual understanding of our problems and cooperation in their solution.



You Can Do What You Want

(Continued from page 30)

President Hadley, of Yale, said that the strongest thing that could curb the trusts, if we wished to exercise it, was the social weapon, the social weapon of ostracism. Do you fancy for one moment that if people who were known not to be paying their bills, were in discredit with their associates, their friends, that they would not quicken or aim to quicken the time that they would pay their bills?

It has to be done very cleverly and subtly, you cannot do it individually because if any of you comes to me individually and pokes your finger into my eye, I have become offended, and if I am offended, I will take my trade elsewhere.

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